



# FINANCIAL TIMES

Weekend  
FT  
Section 2



Alan Clark foresees  
the end of the  
meat trade

Page 1



Islamists put  
Egypt  
on trial

Page 11



Another suitcase  
of money in  
another hall

Page XVI

World Business Newspaper

WEEKEND MARCH 4/MARCH 5 1995

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## Former Mexican president goes on hunger strike

Mexico's former president Carlos Salinas de Gortari, declared himself on hunger strike in an attempt to absolve himself from accusations of bungling economic policy and obstructing a murder investigation. Page 20; Confusion over WTO post. Page 4

### Luxottica in \$1.1bn bid for US Shoes

Italian-based Luxottica, one of the world's leading spectacle frame manufacturers, announced a surprise \$1.1bn bid for US Shoe, the troubled retailer operating 2,333 clothing outlets, spectacles stores and shoe shops. Page 5

### Berlusconi withdraws budget support

Italy's rightwing political parties headed by Silvio Berlusconi, the former prime minister, dramatically reversed a conditional pledge to support the mini-budget planned by the government of his successor, Lamberto Dini. Page 20

### Belgium and US sign air deal

A blow to the EU's efforts to bloc countries signing open-skies air transport deals with the US by announcing it had initiated a deal with Washington. Page 3; Swissair to buy into Sabena. Page 5

### Cable group reports \$42m loss

Cablemedia, one of the largest UK cable operators with more than 2m homes under franchise, reported a net loss for 1994 of \$28.4m (\$42m), compared with \$5.5m in 1993. Page 6

### Republicans welcome Democrat convert

The Republican party assuaged its defeat over the balanced budget amendment by welcoming into its ranks a Democratic convert, Senator Ben Nighthorse Campbell from Colorado. Page 4

### EU reaches deal with Greece

Union provisionally reached a deal which lifts Greece's veto on a customs union with Turkey in return for a timetable for Cyprus joining the EU. Page 3

### Kobe quake delays recovery

Japan's slow economic recovery has been further delayed but not derailed by the January earthquake, according to the Bank of Japan's latest quarterly business survey. Page 4

### Ukraine to get \$1.5bn from IMF

Ukraine signed a \$1.5bn stand-by agreement with the International Monetary Fund intended to ease the country's economic crisis and mobilise western financial support. Page 3

### Chinese parliament meets

China's National People's Congress, or parliament, convenes its annual session with shadows continuing to lengthen over the country's leadership after Mr Deng Xiaoping, China's ailing premier. Page 4

### Iraqi army fires on Kurds

An Iraqi opposition group said government tanks sprayed machine-gun fire on the Kurdish-held town of Kirkuk in northern Iraq, a day after clashes with Kurdish fighters.

### Dollar pushes London stocks lower

The US dollar's fall to new postwar lows against the yen was the chief factor behind a fall in the London stock market yesterday. The market rallied in the closing minutes in response to the Dow Jones Industrial Average in New York, which recovered its early loss of 18 points, and the FT-SE 100 Share Index closed at 3,025.1 for a net loss on the day of 13.1 points and a fall on the week of 12.8.

### FT-SE 100 Index

Hourly movements

3,050  
3,040  
3,030  
3,020  
3,010  
3,000  
2,990

27 Feb 1995 9 AM

Source: Reuters

Currencies, Page 10; World stocks, Page 15; London stocks, Page 17; Lex, Page 20; Markets, Weekend Page XX

### Dawson issues profits warning

International, the Edinburgh-based textiles group forced to close its fleece and jersey business in the US last year, warned second half profits would be "below current expectations". Page 6

### Columbian drug baron arrested

Colombian security forces captured Rodriguez Orejuela, one of the leaders of the Cali cartel, which controls about 70 per cent of the cocaine smuggled into the US.

### Harrods' chairman refused citizenship

Mohamed Fayed, chairman of Harrods, the London department store, and his brother Ali were refused British citizenship by the Home Office and are considering legal action. Page 5

### Summit debates workers' rights

Western nations and developing countries are at loggerheads over workers rights on the eve of the UN-sponsored social development summit in Copenhagen. Page 4

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CS Holding	5	Repsol	5
Credit Suisse	5	SCA	5
Dawson Int	5	Spiral Invest	5
Delcor	5	Trafalgar House	5
Sehe	5	US Shoe	5
Hentys	5	Unilever	5
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## London police probe Barings

Trader held in Germany as fraud inquiry begins

By John Gapper, Kevin Brown and William Lewis

### THE BARINGS CRISIS

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Leeson had no trading limits last summer

Clarke asks for time

When new into old won't go Page 8

Letters Page 9

Lex Page 20

Q&A Weekend XIX

Barry Riley Weekend XX

The Serious Fraud Office, with City of London police, yesterday launched an inquiry into possible fraud at Barings, the merchant banking group, as Mr Nick Leeson, its Singapore trader, was detained in a German prison.

Mr Kenneth Clarke, Britain's chancellor, rejected calls for an independent inquiry into the Bank of England's supervision of Barings, urging critics to await the report of an investigation by the Board of Banking Supervision.

Mr Clarke said he had asked the board to investigate disclosures in yesterday's Financial Times that Barings' internal auditors warned seven months ago of a "significant" risk that Mr Leeson could override controls.

Aides said that Mr Clarke was determined to stand by his repeated assertions that the inquiry by the board is independent, despite the presence of several Bank of England nominees, including Mr Eddie George, the governor.

Documents obtained by the FT



Nick Leeson on his way to court in Frankfurt yesterday. He was jailed pending an extradition hearing.

operations.

Mr Leeson is to be held in Germany pending formal applications from Singapore for his extradition. Mr Leeson wants to return to London, and some UK authorities believe his extradition to Britain would make inquiries simpler.

Talks continued between Ernst

& Young, the administrators, and

ING Group of the Netherlands, over the sale of Barings for a nominal £1. Barings' corporate finance arm plans to sell itself separately if negotiations collapse.

Barings executives also said that Smith Barney, the US investment bank, which was a late-

comer to the bidding, had been in

discussions with Barings Securities, the broking and market-making division of the group.

The Board of Banking Supervision has asked Mr Ian Watt, head of the special investigations unit

Continued on Page 20

## Dollar slumps to a new post-war low

From Nixon to Clinton: 25 years of the dollar's decline

By Philip Gawth and Peter Norman in London, and Lisa Brantson in New York

Concerted dollar buying by the US, Japanese and 15 European central banks yesterday failed to halt the US currency's extended slide against the Japanese yen and D-Mark on world foreign exchange markets.

In spite of the first such bout of co-ordinated intervention since November, the dollar fell to a new post-second world war low against the yen and ended weaker in European trading against the D-Mark than before the effort began.

Underlining a flight to quality in financial markets, the Italian lira slumped to a record low of 1,180 against the D-Mark after Mr Silvio Berlusconi's Freedom Alliance said it would vote against the budget of Mr Lamberto Dini's government. In Madrid, the Spanish peseta, which had been under pressure all week, ended close to its all-time lows.

Yesterday's central bank action followed a sudden fall in the dollar late on Thursday, prompting the US authorities to act. The baton passed to the Bank of Japan during the night and was taken up yesterday by 15 European central banks, led by the Bundesbank. But several rounds of intervention, which saw the Federal Reserve buying more dollars yesterday, failed to carry conviction in the markets.

Mr Paul Chertkow, head of global currency research at UBS in London, said: "The dollar is in crisis. The free fall has not been halted, it has been slowed."

Traders were unable to pinpoint any special reason for the decline. But the US currency has been under growing pressure because of suspicions that Japanese financial institutions are selling US assets. Financial markets also fear fallout from the Mexican crisis will weaken the US economy and that German interest rates will move higher while US rates may have peaked.

By early yesterday afternoon in New York, the dollar was trading at ¥93.90 and DML4305, compared with ¥96.30 and DML4425 before the intervention.

One disturbing sign for markets was the spillover of the weak dollar into the bond markets. The 30-year Treasury bond was a point down in early trading, as investors reacted badly to the failed intervention.

Until yesterday the bond market had been fairly immune to the dollar's weakness. Some observers believe there is potential for a special reason for the decline. But the US currency has been under growing pressure because of suspicions that Japanese financial institutions are selling US assets.

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Continued on Page 20

United banks fail to do trick.

Page 4; Lira plunges, Page 20

## Clinton refuses Gingrich call to put forward his own budget

By Jurek Martin in Washington

US president Bill Clinton yesterday rejected a demand by Congressman Newt Gingrich, the Republican Speaker, that he present within a month his own detailed plans to balance the federal budget.

Mr Clinton told his first formal press conference this year: "I'm going to wait until... [the Republicans] do their constitutional duty and present a budget."

The Speaker announced earlier that he had written to the president urging him "to show some leadership" on the budget.

But Mr Clinton, emboldened by the defeat on Thursday of the Republican balanced budget amendment, also attacked Mr

Gingrich's Contract with America manifesto. The Contract, he said, reflected "outright hostility" to government, yet he found it "curious" that in some cases it was willing to give government a greater role in the lives of ordinary people. He also said it was heartless. "To me it appears it appears to target children to pay for tax cuts for upper-income Americans," he said.

"We believe that government has important work to do," Mr Clinton said, citing his own initiatives on law enforcement, college loans, increasing the minimum wage and improving the quality of education.

Mr Clinton also directly attacked Senator Robert Dole, the majority leader, who had said the defeat of the amendment would not have happened "if we had a real president."

"Senator Dole has been a part of Washington for 30 years, he has not always been in the minority - and look what they did with the deficit," Mr Clinton added. "We've got more peace, more prosperity and fewer problems than when I showed up."

He also played down the defections to the Republicans yesterday of Senator Ben Nighthorse Campbell, the Colorado Democrat, saying there were some "Colorado-specific" factors behind Mr Campbell's decision.

Mr Clinton answered criticism that his Russian policies were too "Yeltsin-centred". It would be "a change of the rules" for the US to start dealing with anybody else, he said.

### STOCK MARKET INDICES

FT-SE 100: 3,025.1 (-13.1)	US LUNCHTIME RATES	STERLING	DOLLAR
Yield: 4.40	Federal Funds: 5 1/4%	New York lunchtime: 1.4335	New York lunchtime: 1.4335
FT-SE Eurotrack 100 1283.09 (-13.73)	3-m Treas Bill: Yld. 5.886%	London: 1.62015	DM 1.4335
FT-SE-A All-Share: 1,483.40 (-0.39%)	Long Bond: 100%	London: 1.62015	FFr 6.0425
Nikkei: 17038.52 (+78.44)	Yield: 7.558%	London: 1.62015	Sfr 1.2132
New York lunchtime		London: 1.62015	Y 94.165
Dow Jones Ind Ave: 3,977.19 (-2.77)		London: 1.62015	DM 1.4335 (1.4801)
S & P Composite: 494.49 (-0.66)		London: 1.62015	FFr 6.0425 (6.1285)
		London: 1.62015	Sfr 1.2132 (1.2393)
		London: 1.62015	Y 94.215 (94.21)
		London: 1.62015	DM 1.4335 (1.4801)
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## THE BARINGS CRISIS

## Leeson had no overall trade limit in summer

By John Gapper and Nicholas Denton

Barings had no gross position limits on proprietary trading operations in Baring Futures (Singapore), the unit run by Mr Nick Leeson, last summer - relying instead on its group treasury in London to set limits on cash funding. It is still unclear when, if ever, such limits were set.

The issue of funding provided by the London group treasury to Mr Leeson is likely to be central to the Bank of England inquiry into the Baring collapse. The bank needed to put up margin payments to cover falls in values of exchange-traded

contracts. It is unclear whether Barings brought in position limits as Mr Leeson's trading increased, but its asset and liability committee is thought to have asked for reductions in its trading positions in January. According to the internal auditors' report on Baring Futures last August, the group was taking measures at that time to allow Mr Leeson easier access to funding for, among other things, margin payments on his proprietary trading operation.

Bankers have estimated that the London group treasury drew credit lines from banks of up to \$850m (\$535m) between the end of January

and Barings' collapse. They believe a proportion of this was used to fund Mr Leeson's operation.

The report says Barings Futures "has no trades booked in its own name and consequently receives funds from clients or Baring Securities offices to fund margin deposits". But it was "often short of funding on a day-to-day basis".

The report recommended that it sought an overdraft facility from its main bank, Citibank. However, the management response from Mr Tony Hawes, group treasurer, said the treasury would be carrying out a review of funding requirements.

Mr Hawes added that "in the

meantime, a \$25m letter of credit with Banque Nationale de Paris has recently been arranged; this will significantly reduce the need to put up margins in the form of cash".

The auditor said there were "no gross limits set for arbitrage positions". He added: "The only constraint is that group treasury will eventually inform Baring Futures that they will cease funding requirements if they grow too large."

He said that "although hedged positions do not (by definition) expose the group to market risk, they can carry considerable funding costs, and eventually must be unwound with an element of execution risk".

He recommended that the risk committee consider introducing position limits. Mr Ian Hopkins, director of group treasury and risk, said in response that the committee was considering this.

Internal documents show that margin payments had been made on most of the \$284m loss on futures contracts on the Nikkei 225 index concealed in a hidden account. Barings may have met some such payments through cash transfers, although Mr Leeson also appears to have sold "put" options in order to meet margin calls.

The audit said that "timing differences, and a requirement to fund

certain clients such as First Continental Trading, who have special clearing arrangements" meant that the unit was "often short of funding on a day-to-day basis". It said "any deficit in Baring Futures main margin-paying account is made up by group treasury in London at very short notice". It then examined means of relieving this funding pressure through a variety of measures.

One was by reducing the proportion of the Baring Futures funding requirement deposited in cash from the 80 per cent to 90 per cent prevalent last summer to closer to the minimum 40 per cent cash by using more letters of credit.

IN BRIEF  
Fed chief seeks fast settlement of trades

Mr Alan Greenspan, chairman of the US Federal Reserve, said financial markets must speed up settlement of large transactions in order to improve liquidity and avoid systemic risk from cases like the Barings crisis.

"If the liquidity of underlying markets is preserved, risk management failures at individual institutions are unlikely to give rise to systemic problems", Mr Greenspan said in prepared remarks to a conference in Coral Gables, Florida.

Earlier, he had said the failure of Barings... has not created systemic problems because it has not significantly impaired the liquidity of the underlying markets for Japanese stocks and bonds", Mr Greenspan said. The key to preserving market liquidity in times of crisis was to reform and speed up clearance and settlement systems around the world, he added.

## Few withdrawals from unit trusts

Barings unit trusts experienced negligible withdrawals yesterday. The funds were suspended on Monday morning and re-opened for dealing on Thursday afternoon. Because of the uncertain future of the company there were fears that investors might decide to withdraw their cash, but by mid-afternoon yesterday only around 0.5 per cent of the funds had been withdrawn.

Barings' Dublin-based offshore funds, which use Barings in Guernsey as custodian, were suspended on Monday because they have cash deposited with Barings which is at risk and cannot be valued.

Shares in two Barings investment companies - the Emerging Europe Trust and the Barings Chrysalis Fund, which also use Barings in Guernsey as custodian - have been suspended pending clarification of Barings' position. Barings insists none of the funds' assets is at risk but has not explained the suspension. A spokesman said: "Arrangements will soon be in place to transfer the assets of the funds to new custodians."

## Taiwan bans sales

Taiwan's Security and Exchange Commission banned sales of Barings-listed overseas mutual funds in an effort to protect local investors.

The SEC is also banning Barings' investment fund unit from promoting mutual funds. Taiwanese investors so far have purchased some \$80m (\$50m) in overseas mutual funds from Barings. The SEC did not suspend Barings International Fund Manager (Ireland), which has invested some \$163m in the local bond market, from continuing stock investment activities.

## Malaysian futures

Malaysia said it had no plans to over-regulate its emerging financial futures markets despite concern over the collapse of Barings. Mr Anwar Ibrahim, finance minister, said: "Our policing of financial derivatives are stringent. We have tough guidelines in place." The Kuala Lumpur Futures Market is to begin with trading in interest rate futures and later expand into currency futures. The Kuala Lumpur Options and Financial Futures Exchange is to start with stock index options.

## Mr James Lawrie

It has been drawn to our attention that Mr Nick Leeson did not report directly to Mr James Lawrie, senior corporate financier in Barings' Singapore office, as suggested in the FT on Wednesday.

## Fallback deal ready if ING talks fail

By Nicholas Denton

Barings Brothers' corporate finance arm has a draft agreement to sell itself to ABN Amro, the Netherlands' largest bank, if the deal to dispose of the whole group to one buyer falls through.

ING Group, another Dutch bank, has entered into exclusive negotiations to buy Barings - and take on all its liabilities - for the nominal sum of £1. ING is being advised by Robert Fleming, the UK merchant bank. The exclusivity is expected to last until tomorrow.

But if ING fails to make a firm offer, the corporate finance department intends to reactivate the deal it arranged earlier this week with ABN Amro. Corporate financiers had preferred a deal with ABN Amro - but ING persuaded the administrators that its offer for the whole group was worth considering first.

Any buyer will have to guarantee to meet bonuses for last year, which have already been announced, if they are not to lose valuable employees.

The latest development is another twist in the series of negotiations on the fate of the remnants of Barings. They have included talks with Barclays, National Westminster Bank, HSBC Holdings (owner of Midland Bank), Merrill Lynch, and a host of other international financial institutions.

New potential buyers are still entering the fray. Smith Barney, the US brokerage, has been in talks with Barings Securities, the broking and marketmaking division.

Core Pacific, the large Taiwanese brokerage, is also understood to have made contact with Barings Securities. Six groups remain interested, according to Barings Securities.

Waiting in the wings for Barings Asset Management, which manages \$27bn of client funds, is Merrill Lynch, the US investment bank. But the purchase of the fund management arm alone would be dogged by the difficulties in disentangling its deposits with Barings Brothers, the banking arm.

Meanwhile, Standard & Poors, the credit rating agency, put ING on negative credit watch. This is a warning that ratings on ING's senior debt may fall from its current level of AA-minus.

S&P said its decision followed the announcement that ING had entered into negotiations with the administrators of Barings to acquire the three parts of the group. S&P said it was uncertain of the extent and nature of the liabilities that ING would assume, the means by which the acquisition would be financed and the future prospects of the Barings businesses.

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BANK OF ENGLAND - By John Gapper  
Tough questions for supervisors

The role of the Bank of England in supervising Barings, the collapsed UK merchant banking group, yesterday started to come under serious scrutiny. In spite of general plaudits for the way in which it handled the attempt to rescue Barings, there are now questions about its supervision of the bank.

Supervisors from the Bank were apparently not shown the internal audit report warning of the possibility that Mr Nick Leeson could over-ride controls in the Baring Futures unit. This renews longstanding questions over both its style of supervision, and the rigour of its inspections.

The "matrix management" system at Barings, under which Mr Leeson was partly responsible to regional managers and partly to functional managers in London, is mirrored in the complex supervisory arrangements of the bank. These bring in both banking and securities supervisors around the world.

At the head of this chain of supervisors is the Bank, which has dual responsibilities. It was the chief supervisor for Barings Brothers, the merchant banking arm of the group. It was also the consolidated supervisor with overall responsibility for the Barings group.

Other supervisors and regulators included the Securities and Futures Authority, the self-regulatory organisation for

the securities industry. This is responsible for the trading practices of Baring Securities, the broking arm, in the UK, and for setting its capital requirements.

However, the SFA was not directly responsible for Barings Futures (Singapore), the unit managed by Mr Leeson. This was supervised by the Siner, acting as an agent for the Singapore Monetary Authority. It would have reported any concerns about the unit's practices to the Bank as consolidated supervisor.

The Bank would have had a number of means of identifying that something was wrong at Barings.

● Auditors reports: Under the 1987 Banking Act, Barings' group auditors, Coopers & Lybrand, have to produce an annual report on management systems and controls. The scope of this is set by the Bank in a letter which requests information on how the bank limits activities such as fraud.

● This report would cover high level management and controls. This means it would be unlikely to have covered the controls of Barings Futures directly. However, if internal auditors passed concerns to Coopers & Lybrand, these would probably form part of such a report to the Bank.

The Bank introduced a requirement on auditors to report directly to them about

concerns such as inadequate management controls two years ago. This followed the Bingham inquiry into the collapse of the Bank of Credit and Commerce International as a result of fraud in 1991.

● Large exposures: The act specifies that a bank should not have a credit exposure of more than 25 per cent of capital without an exemption. This applies not only to loans, but in most circumstances to intra-company funding such as margin payments advanced to a company within a group by its central treasury.

The capital of Barings' investment banking operations was £440m, so that any advance of more than £110m could have been in breach of the act. The Bank should have known of any such advance because Barings executives would have been required to report it to its banking supervisors.

This issue is likely to be examined closely. If it advances that breached limits were made without supervision, knowing it will not only reflect badly on Barings executives. There will also be questions as to how Bank supervisors did not notice such an enormous increase in its credit exposure.

They would normally do so through the monthly liquidity reports supplied by the bank's treasury to supervisors. These set out liquidity, and assets and liabilities on its balance

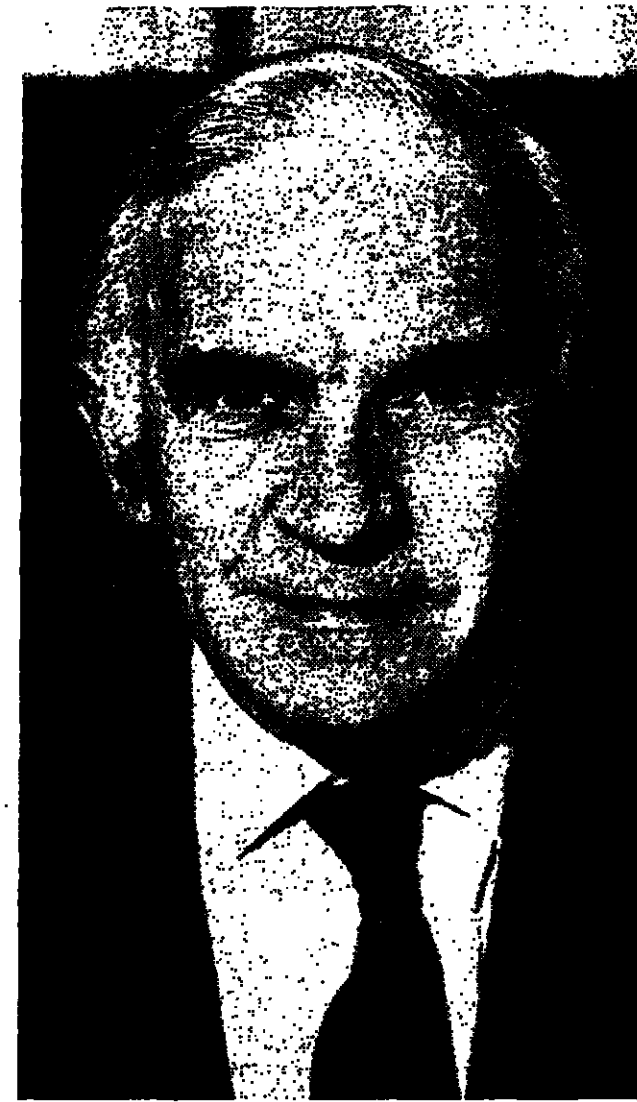
sheet. The report should enable the Bank's supervisors to prevent any excessively large exposures.

● Money markets: Even if the Bank had not been formally told that borrowing to fund Mr Leeson's positions was rising fast, it might have picked up signals from London money markets. At least one UK bank was among those noticing Barings drawing on credit facilities from the end of January.

It might not have done so given that Barings was seen as a liquid bank which could borrow through money markets without raising a stir. However, if the Bank failed to notice such a rise in spite of its role in the money markets, it will raise questions about its ability to detect trouble.

The Bank's general style of supervision is also likely to face further probing. It has already been forced to toughen its style following the Bingham inquiry, appointing a special investigations unit. Mr Ian Watt - the head of the unit - has been appointed to lead the inquiry into Barings by the Board of Banking Supervision.

Mr Brian Quinn - the Bank's executive director in charge of financial stability, and its chief supervisor - has had time to recover his police after the BCCI storm. But it has begun to look as if Mr Quinn and the supervisors will face renewed scrutiny in the Barings case.



Brian Quinn, chief Bank supervisor, will face renewed scrutiny

## NICK LEESON - By Katharine Campbell and William Lewis

## Trader must be held in jail, says German court

The Frankfurt High Court yesterday ruled that Mr Nick Leeson, whose trading activities are alleged to have forced Barings into administration, be detained in a local jail pending formal application from Singapore for his extradition.

Mr Eberhard Kempf, Mr Leeson's legal representative, said that his client planned to fight any extradition application. He said Mr Leeson wanted to return to London and did not want to be subjected to the Singapore judicial proceedings.

Mr Kempf also said that he "suspected" that Mr Leeson possessed "information that could harm others at Barings".

The Singapore authorities now have 40 days to make a formal application. Successful completion of Mr Leeson's extradition to Singapore could take up to four months.

Following the ruling Mr Leeson was transferred to prison in Höchst, situated on the outskirts of Frankfurt. Mr Kempf said the prison was for "young detainees", adding that the living conditions were "better than the worst" of the alternatives. A formal decision to appeal against the court's decision will be made on Monday after Mr Kempf has received a written version of the court's opinion.

The Serious Fraud Office and the City of London police, which announced yesterday that they had started investiga-

ting the Barings collapse, said they had "no plans at present" to seek Mr Leeson's extradition to the UK.

The ruling in Frankfurt followed the extra information provided to the German courts by the Singapore authorities relating to Mr Leeson's involvement in the collapse of Barings. The Singapore authorities have charged Mr Leeson with "falsifying documents to prepare fraud, and breach of trust", according to the chief prosecutor in Frankfurt.

Extra documentation was brought from Singapore to Frankfurt yesterday by Mr Roy Neighbour, deputy director of Singapore's Commercial Affairs Department, and two of his colleagues.

Mr Hans-Hermann Eckert, the prosecutor who applied to the court for extradition detention, said afterwards that the judge had ruled that the information produced by the Singapore authorities was sufficient to warrant Mr Leeson's further detention.

Mr Kempf said: "His [Mr Leeson's] feelings aren't so good. It is a serious situation. He is a man with problems to cope with but he is determined to come through it."

Mr Kempf said that Mr Leeson denied forging documents. The lawyer also said Mr Leeson "would certainly prefer to go to London than to Singapore". His client had been

"nervous" before the hearing, but looked composed and serious when the decision was handed down.

Mr Kempf said that he had prepared Mr Leeson for the possibility that he would be detained further, but that the trader appeared not to have expected "all this to happen" when he flew into Frankfurt.

Mr Kempf is acting in Frankfurt on behalf of Kingsley Napley, a London-based law firm with specialists in dealing with white-collar crime cases. Mr Leeson phoned Mr John Clitheroe, senior partner at the firm, from Frankfurt Airport at 11am on Thursday morning following a recommendation by a British consular official. Mr Clitheroe then arranged for Mr Kempf to act for Mr Leeson in Frankfurt.

A partner from Kingsley Napley is set to fly to Frankfurt to meet with Mr Leeson on Monday. Among Kingsley Napley's other clients is Mr Ian Maxwell, son of the late Robert Maxwell.

It has also emerged that earlier this week Mr Leeson telephoned Mr Max Clifford, a public relations adviser, to ask for advice. "He is very keen to come back here rather than go to Singapore," a friend said.

Mr Leeson's wife Lisa is thought to be back in the UK, having been released from detention by the German police on Thursday.

## LONDON MONEY MARKET - By Peter Marsh and Alison Smith

## Depositors pay more heed to credit ratings

The Bank of England has stepped into the London money market this week to lend undisclosed sums of cash to at least one small to medium-sized UK bank.

The lending operation has been conducted discreetly, outside the Bank's normal money market procedures which involve lending to the banking system via discount houses.

The Bank's action has resulted from nervousness in the money market triggered by the Barings failure.

The London market for unsecured cash deposits involves large transactions of up to about £500m a day being transferred between more than 100 organisations including banks, building societies and industrial companies.

"After these crises there is always some flight to quality. We're putting up extra deposits at the moment," one clearing bank said.

"There were a few signs of a flight to quality on Monday and Tuesday, though it had faded by the second half of the week," another clearer said. "But we have had counterparty we haven't seen for years returning to us," he added. Others emphasised the relative calm with which the market had reacted.

"The shock was obvious at the beginning of the week - there was initially a knee-jerk reaction to the Barings col-

lapse. But in the cold light of day, unless Mr Leeson has a twin brother working in the Tokyo office of another merchant bank, it's not going to happen again next week," commented a treasurer at one large financial institution.

Another banker suggested that this calm was partly because of low levels of activity. "Banks have tried to avoid being in the market," he said. "They have just sat back."

Several bankers take the view that the Barings collapse is likely to mean greater power to the credit rating agencies.

The rating agencies are already taken into account, but for many organisations they are just one element in the decision where to place money. Others - such as the relationship and the view of the management - may be more important.

"If you do your own evaluation work, you don't need to go by the credit rating," one banker said.

But Abbey National, the home loans and banking group, said it had not had any exposure to Barings "because as a general rule we don't deposit with unrated institutions". Barings had no credit ratings from Moody's and Standard and Poor, the US-based agencies, although it did from London-based IBCA.

Mr Peter Morley of Integer Treasury Management Services said he advises clients -

mainly local authorities - based on credit rating. One of his tests for acceptable counterparty risk is a bank's "legal" rating by IBCA. This addresses the question of what support from the state, or a parent group, a bank could expect if it got into difficulty. This was the condition Barings had not met, and on that basis, he had not advised clients to deposit money there.

But if the UK markets appeared to have calmed down, nervousness about the prospects of small to medium-sized merchant banks has spread elsewhere in Europe.

At one smaller European bank, an executive said he felt it could face difficulties in the coming months in attracting deposits. "There is a problem in the short term and a problem in the long term," he said.

A big continental European bank said it had stopped lending to some other smaller banks in Europe, although not in the UK. A senior executive said: "For the moment we are telling our traders not to lend money to certain smaller banks. A lot of people are going through a lot of soul-searching looking through their own management systems. But we realise it's very important not to panic because if you stop dealing with a bank just because of rumours then you will make a bad situation worse."

Mr Morley of Integer Treasury Management Services said he advises clients -

## POLITICS - By Kevin Brown

## Clarke asks for time and rejects calls for independent inquiry

Mr Kenneth Clarke, Britain's chancellor of the exchequer, yesterday rejected growing demands for an independent inquiry into the Bank of England's failure to prevent the collapse of Barings.

Amid rising opposition anger, Mr Clarke urged critics to wait for the results of an investigation being carried out by the Board of Banking Supervision, chaired by Mr Eddie George, governor of the Bank of England.

He said the board would look at disclosures in yesterday's Financial Times that an internal audit warned in August that there was "a signifi-

cant general risk" that Mr Nick Leeson, the trader blamed for the bank's collapse, could override controls.

"That is exactly what I expect the Board of Banking Supervision to investigate and no doubt they are beginning to do so," Mr Clarke said on BBC radio.

"Give [the board] more than four days to let us know what the real facts are, and to give its expert opinion on what went wrong. If anything did, at Barings and what went wrong, if anything did, with the Bank of England's supervision."

"You can't wait a few days have bits and pieces of information

breathlessly reported by newspapers and radio and think that we are ready yet to draw serious conclusions," he said.

Both main opposition parties yesterday said there was a clear case for an inquiry by an independent organisation able to consider the role of the Bank of England, as well as the sequence of events at Barings.

Mr Alastair Darling, Labour City spokesman, said in a letter to Mr Clarke that the disclosure of the audit report suggested that Barings knew there might be a problem in the activities of its Singapore subsidiary. Mr Darling said the disclosure

also cast doubt on claims made after the collapse by Mr Peter Baring, the bank's chairman, that there may have been a conspiracy designed to bring down the bank.

"The question that now arises is: did the Bank of England know of the auditors' report, and if not, why not?" Mr Darling asked.

He added that the Bank of England should have set in place mechanisms to ensure that all banks had adequate internal controls which operated properly.

"It seems to us to be all the more important now to establish an independent inquiry to ask what the

Bank of England knew, and what it should have known," he said.

"It is not just a matter of what happened at Barings, but also what systems now exist in relation to the rest of the banking system."

Mr Malcolm Bruce, Liberal Democrat Treasury spokesman, called for Mr Baring and other top executives of the bank to be brought before the Commons Treasury and civil service committee to give evidence about the collapse.

"As more new evidence comes to light it gets ever clearer that there was a catastrophic breakdown of internal controls at Barings, and a

failure by the regulators to observe the warning signs," he said.

Mr Dale Campbell-Savours, Labour MP for Worthing, said he had put down a written Commons question to Mr John Major asking when the Bank of England was made aware of the Barings internal audit report.

Mr Clarke defended his Commons statement on Monday, when he said that the collapse centred on one "rogue" trader. "I deliberately did not give any real detail about the facts of the case because I knew perfectly well the facts would come along and more information came along," he said.



## Deal includes EU timetable for Cyprus Greece lifts Turkey customs union veto

By Lionel Barber in Brussels

The European Union reached a provisional agreement yesterday on a deal which lifts Greece's veto on a customs union with Turkey, in return for a timetable for Cyprus joining the EU, probably around the turn of the century.

The agreement is expected to be signed on Monday at a meeting of EU foreign ministers in Brussels. It marks a big diplomatic success for France, which brokered the compromise.

A customs union with Turkey would open up trade in a wide range of goods and services and unblock Ecublun (777m) of EU aid to the Turkish government, which is grappling with political and economic instability.

On the Cyprus issue, there is hope in Brussels that the prospect of EU membership will help to break the deadlock which has existed since the Turkish army invaded the island in 1974 in response to a Greek Cypriot coup backed by Athens.

Since then, the island has been divided between an offi-

cially recognised government of Cyprus, controlled by the Greek Cypriots, and a section in the north controlled by Mr Enver Denktash, the Turkish Cypriot leader. The assumption, until recently, was that EU membership depended on a political settlement in the island.

In recent months, however, France, the UK and the US have shifted toward the view that the prospect of EU membership and its economic benefits could act as a carrot for the Turkish Cypriot community to break with Mr Denktash and a catalyst for a political settlement.

But all this assumed that the EU could persuade Greece to lift its 14-year veto on the customs union with Turkey and the financial aid package, a development which appeared in doubt until the last minute.

Under a hard-fought compromise, Greece has won a promise that the EU will open negotiations on membership with the government of Cyprus six months after the conclusion of the 1996 inter-governmental conference to review the Maastricht treaty.

Second, the EU will offer closer political and economic ties with Cyprus (as well as Malta) along the lines of the dialogue taking place with the six central and eastern European countries which have EU associate membership: Poland, the Czech Republic, Hungary, Slovakia, Bulgaria and Romania.

In return, Greece has dropped its demand for Ecu400m compensation for opening its textile market to Turkish producers under the customs union. Instead, the European Commission will study the matter.

The most delicate issue concerned the financial protocols, and the need to protect the Athens government against nationalist opposition at home which has argued that Greece has surrendered its veto without adequate compensation.

Senior Brussels officials said it was unlikely that specific sums would be mentioned, though a "declaration" appended to the customs union would endorse the principle of a substantial package of around Ecu1bn.

## Compromise reached on government in Warsaw

By Christopher Bobinski in Warsaw

Poland's two-month political crisis looked set to end yesterday as the country's new prime minister, Mr Jozef Oleksy, a former communist, reached agreement with President Lech Walesa on the composition of a new centre-left coalition cabinet.

Soon after meeting the president yesterday, Mr Oleksy unveiled his proposed cabinet to parliament, which is expected to approve the new line-up today. The cabinet will then have to be formally sworn in by the president.

The reshuffle sees the replacement of Mr Waldemar Pawlak, the head of the Peasant party (PSL), as prime minister and brings eight new ministers into the 20-strong cabinet.

The change, which follows Mr Walesa's threat last month to dissolve parliament if Mr Pawlak was not removed, marks a shift in the balance of power inside the coalition to the ex-communist Left Democratic Alliance (SLD).

The coalition partners have ruled Poland since they won parliamentary elections in the autumn of 1993. In the agreement with Mr Walesa, Mr Oleksy dropped the coalition's long-standing opposition to Mr Zbigniew Okonski, the president's candidate for defence minister, and accepted Mr Walesa's suggestion that Mr Wladyslaw Bartoszewski, the Polish ambassador to Austria, be made foreign minister.



Walesa: Pawlak must go

These are big concessions by the coalition, which had maintained that the president only had the right to be "consulted" on the appointment of the ministers of defence, foreign and internal affairs.

Mr Oleksy yesterday appealed to Mr Walesa to work constructively with the new government and to approve this year's budget, which he has yet to formally sign. It was Mr Walesa's failure to approve the budget which triggered the current crisis and is causing liquidity problems at the treasury.

Mr Oleksy told parliament yesterday that his government would maintain budgetary discipline and that Mr Grzegorz Kolodko, the deputy premier and finance minister, would stay in his post. Mr Oleksy yesterday also affirmed his government's commitment to Poland's drive to join the European Union and Nato. He said the country's "democratic and free-market reforms were irreversible" and privatisation of state-owned companies would be speeded.

## Ukraine signs IMF stand-by accord

By Matthew Kaminski

Ukraine yesterday signed a \$1.8bn (21.13bn) stand-by agreement with the International Monetary Fund intended to ease the country's economic crisis and mobilise western financial support.

The deal signals a continuing commitment by the Ukrainian government to overhaul a struggling economy that shrank by more than 10 per cent last year.

The package, under negotiation for almost five months, holds Ukraine to tight fiscal and monetary policies and further price liberalisation. Ukraine is also to soften its restrictive export policy by limiting quota restrictions to grain, easing a rigid registration system and scrapping plans to prevent barter trade.

The policies required for the stand-by provided wide division within the government, but President Leonid Kuchma again appears to have overcome the country's anti-reform groups. The final political touch came on Wednesday with the resignation of Mr Vitaly Masol, conservative prime minister.

The new agreement, with a first tranche due to be disbursed on April 1 after expected IMF board approval later this month, would help plug Ukraine's chronic balance of payments deficit, which is approaching \$5.5bn this year.

Mr Michel Camdessus, IMF executive director, is scheduled to visit Kiev on March 9 to discuss the country's economic programme. "It is a comprehensive, strong and courageous pro-

gramme," Mr Camdessus said in Washington yesterday. "If implemented rigorously, it will constitute a decisive break with the past that Ukraine sorely needs and that the international community will surely welcome."

The Ukrainian cabinet this week passed a budget with a planned deficit of 6.4 per cent of gross domestic product. The IMF, using different statistical measures, considers the deficit to be 3.0-3.5 per cent of GDP, above the fund's guidelines for checking inflation by the year's end.

The parliament will consider the budget within the next 10 days. Although dominated by communists, the parliament so far has failed to side-track the macro-economic reforms backed by the president.

The Ministry of Foreign Economic Relations, headed by Mr Serhiy Oryk, had opposed the export liberalisation but a new policy was agreed last week-end, officials said.

While Russia enjoys a positive trade balance and will use IMF aid to check its budget deficit, Ukraine needs outside aid to pay for imports, mostly Russian and Turkish energy supplies, and not run up arrears, thus stoking inflation.

Mr Victor Pynzanyk, first deputy prime minister for economic and leader of the reformist forces, has urged western countries to follow through on the promise made at last summer's G7 summit for \$4bn in western aid. "Without external financing support, we become firemen, not reformers," he said.

## Belgium snubs EU over US flight agreement

By Caroline Southey in Brussels

Belgium yesterday dealt a blow to the EU Commission's efforts to block six countries from signing bilateral open-skies air transport deals with the US, by announcing it had initiated a deal with Washington this week.

Mr Neil Kinnock, the new EU transport commissioner, wrote to Belgium, Denmark, Luxembourg, Finland, Austria and Sweden on Monday, instructing them not to negotiate, initial or sign bilateral deals with the US. He threatened court action against any country if it did and set a deadline of March 10 for the countries to inform the Commission of their responses.

Mr Kinnock also served notice that he would be seeking a mandate from member states to negotiate a multilateral open-skies deal with the US.

But a Belgian official said the Commission had "no ground to stand on". He said Belgium had entered the negotiations in good faith and intended to go through with the deal. Belgium had won much better terms than the more limited bilateral deal signed with the US in 1993.

It also appeared likely that Luxembourg and Austria would soon initial deals with the US.

A Commission official denied that Mr Kinnock's initiative had been severely undermined. "We have started a procedure and we will go through with it. The Belgians have not told us formally that this is their position. We will wait until March 10 to hear what all the responses are."

The Commission reiterated its primary concern that smaller EU countries would be targeted. It argued that the US would gain disproportionate advantages by gaining access to the EU's liberalised markets.

The Belgian official said the deal gave Belgium and the US reciprocal rights. "The rights for both countries are exactly the same," he said.

He said airlines would have free access but neither side would have cabotage rights, which would have allowed them to carry passengers on domestic routes in the other's country.

The accord took account of the US's desire to reach agreement with all six EU states before signing any deals. "If the critical mass is not reached, the text does not come into effect," the official said.

But, he added, there was no legal impediment to the two sides signing the bilateral accord. "We can sign it when both parties indicate they are ready and when the opportunity arises," he said.

## Fugitive's return to Spain raises awkward questions

By David White in Madrid

What initially appeared to be something of a triumph - the return of Mr Luis Roldán, ex-chief of Spain's Civil Guard police force, from southeast Asia to face criminal charges - has turned into a potentially serious embarrassment for the Socialist government.

A state of utter confusion has taken over after four days of conflicting reports and heated argument over the circumstances in which he was returned.

The row, given massive media coverage, must be enough to make the government wonder if it was worth while capturing him after all.

News that Mr Roldán, who is accused of pocketing government funds and taking commissions on contracts, might have to answer only limited charges was followed by further versions of events which, according to some legal opinions, could mean his getting off altogether.

The fugitive was flown to Spain on Tuesday morning. Mr Juan Alberto Belloch, justice and interior minister, described at a press conference how Laotian police handed the prisoner over to Spanish police in the transit area of Bangkok airport. What he omitted to explain were the conditions under which this occurred.

The next day, the opposition

newspaper *El Mundo* published copies of two faxed letters, ostensibly from the Laotian justice minister to Mr Belloch, accepting Mr Roldán's extradition for bribery and misappropriation of public money, but not for the other charges of tax evasion, influence-peddling, fraud and falsification of public documents, arguing that several of the charges did not exist in Laos's penal code.

On Thursday, two justice ministry officials in Vientiane said the letters were fakes. Not only that but, yesterday, a Laotian Foreign Ministry official said he was "completely sure" nobody called Luis Roldán had ever legally crossed the border and Laotian police had not accompanied any fugitive to Bangkok.

The documents were meanwhile on their way by diplomatic bag to the Spanish embassy in Bangkok in an attempt to establish what happened.

Have the Laotians taken offence and backtracked? If they did not send the letters, who did? As long as the case remains obscure, the government faces suspicions of having connived with Mr Roldán, seeking his discretion in return for a short sentence. Mr Belloch has repeatedly denied making any deal.

The government said Mr Belloch had prime minister Felipe Gonzalez's full support.

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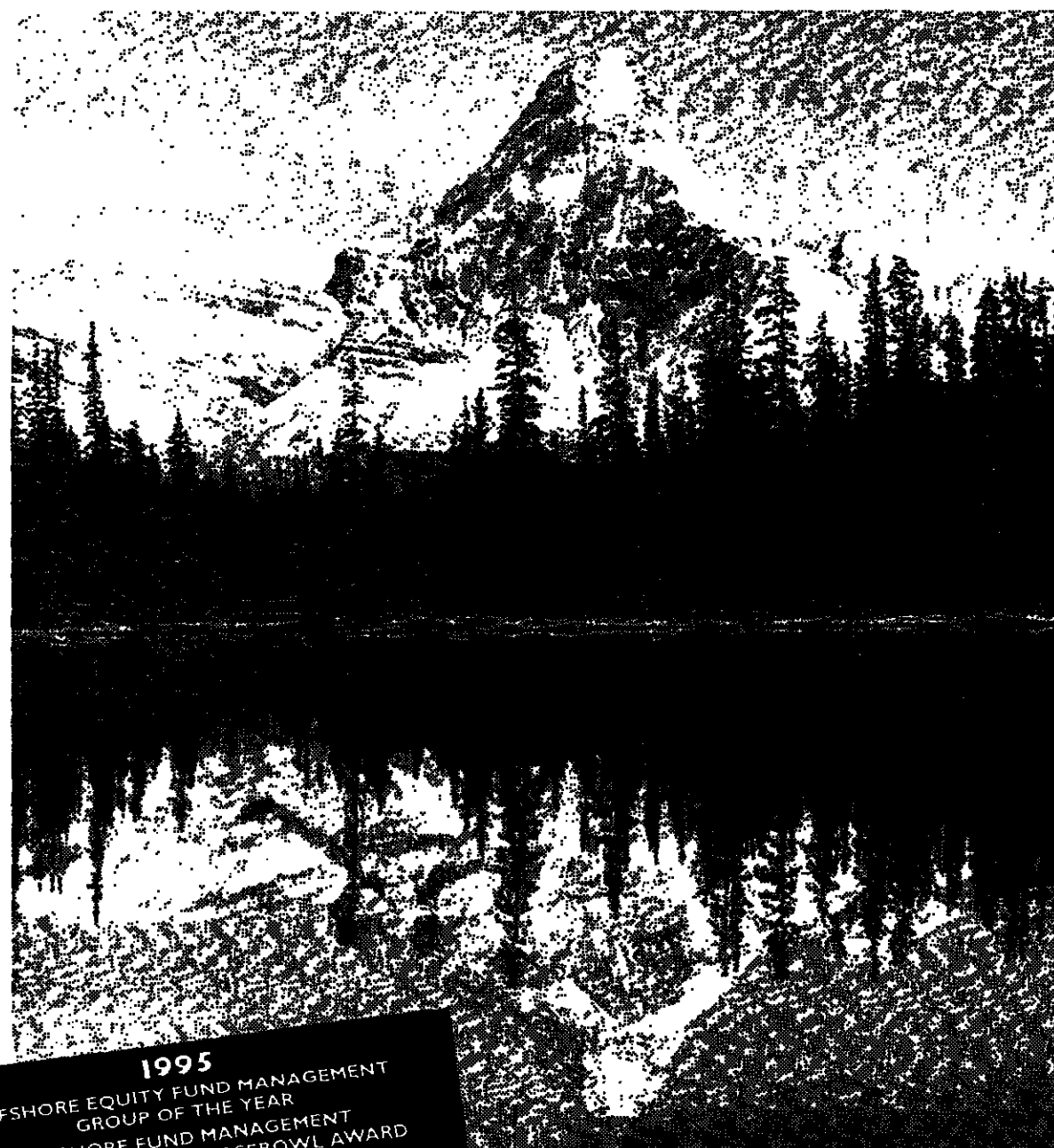
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Far Eastern Growth	8-11-86	+355.0	1 out of 20	+65.4
Japanese Growth	30-11-91	+38.5	4 out of 93	
European Growth	8-11-86	+712.0	8 out of 22	+17.5
UK Growth	24-10-87	+199.8	1 out of 31	+108.0
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## NEWS: INTERNATIONAL

## Summit split over workers' rights document

By Robert Taylor, Employment Editor, in Copenhagen



Western nations and many developing countries are at loggerheads over workers' rights on the agenda of the United Nations-sponsored social development summit which starts in Copenhagen on Monday.

The European Union, backed by the US and other industrialised countries, wants a firm and explicit commitment to protect workers' rights in a draft declaration. This would include a ban on child and forced labour, the acceptance of freedom of association and the right to organise and bargain collectively, and affirmation of the "principle of non-discrimination".

But many developing countries, notably India,

China, Malaysia and Indonesia prefer an alternative wording that would merely commit the draft resolution to respect "the relevant conventions of the International Labour Organisation" without spelling them out.

In particular, they dislike any reference in the resolution to the abolition of child labour, arguing that this western proposal is a cover for trade protection measures against their products.

Efforts to settle differences inside the conference's preparatory committee have failed to produce any compromise. Nor is there yet any deal over references in the draft declaration to the debt problems of developing countries.

Although the industrialised nations are willing to negotiate ways of reducing debt burdens, they are unwilling to accept any debt cancellation or agree to discussing "wider means to give

a sustainable solution to the growing difficulties of servicing multilateral debt".

However, agreement has been reached that poor countries should be given a reduction in their debt "sufficient to help them to exit from the rescheduling process and to enable them to resume growth and development".

So far, the industrialised countries have also been unwilling to accept any provision of additional financial resources to help implement the programme of action that will follow the Copenhagen conference.

The summit draft declaration calls for "the eradication of poverty", "full employment", "an end to social exclusion" and "more equitable income distribution".

Michael Holman adds: Leading British charities yesterday expressed scepticism about the benefit of the summit.

The London-based World Development Movement accused world leaders of failing to address two vital issues: "the impact of world trade on the lives of the poor, and the power of transnational corporations on world trade".

Another UK charity, Oxfam, expressed concern that governments attending the summit "will seek to water down" commitments to alleviate poverty and expand employment. It also called for the phasing out of "structural overproduction" in the European Union's agricultural sector "which leads to dumping of surpluses on world markets".

In a strong attack on the World Bank, Christian Aid urged the summit to review structural adjustment programmes and called for increased spending on education and health, credit facilities for the poor, and full debt cancellation for the poorest countries.

## INTERNATIONAL NEWS DIGEST

## US 'looking to Claes successor'

The German government yesterday dismissed as "speculation" a report in Die Welt newspaper that the US wanted Mr Volker Rühle, the defence minister, to take over from Mr Willy Claes as secretary-general of Nato. In a report from Washington, where Mr Rühle has been conferring with the US government, Die Welt said the German minister, a staunch advocate of Nato enlargement, headed the list of possible successors to Mr Claes, who is under pressure because of a corruption scandal in his native Belgium.

Mr Claes was due in Washington last night, and barring new developments he is due to meet senior members of the US administration next week. Mr Rühle will be meeting his US, UK and French counterparts in Florida over the weekend. In Belgium, a judge confirmed a detention order on Mr Johan Delanghe, a former senior aide to Mr Claes. The judge's arrest was ordered by investigators probing the payment of sweeteners for a helicopter purchase by the Italian company Augusta to the Belgian Socialist party. The investigation was extended yesterday to include allegations that the French arms company Aerospatiale made payments to the Belgian party. Bruce Clark and Michael Lindemann

## Argentine money rates soar

Argentina's interbank "call" money rates yesterday topped 50 per cent, four times their levels of last week, reflecting extreme liquidity problems in the financial system. Markets were shaken by news earlier in the week that paper manufacturer Alto Paraná had defaulted on \$60m in debt obligations. The tensions sent the blue-chip Merval index down 7 per cent in early trading to reach its lowest level since June 1991, but in a late recovery stocks recovered strongly to just 1 per cent down, one hour before markets closed.

Argentine stocks have fallen by nearly half since Mexico's devaluation, with many government bonds suffering a similar fate. Strong futures orders to buy dollars at parity have raised fresh talk of devaluation, but the government reiterated it would take any measure but that, including dollarisation of the economy. Mr Cavallo on Monday launched a \$3.8bn emergency package of cuts and plans to raise revenue. The failure of the measures to restore stability has provoked speculation that Argentina may have to turn to the IMF for a Mexican-style support package. David Pilling, Buenos Aires

## Bank details obtained illegally

The British government faces a damages claim of \$500,000 after a judge ruled that the attorney general of Gibraltar had illegally obtained secret Swiss bank information. The investigation was launched two years ago by British and Danish police into the collapse of a multi-million-pound property development by the Baltica group of Denmark.

The attorney general had requested information from the Swiss authorities relating to bank accounts held in the name of Arche Treuhand, a trust company, and the company's director, Mr Max Vollenweider. Gibraltar's Chief Justice Alister Kneller ruled the request was illegal without the authorisation of the Supreme Court. Lawyers for the company and Mr Vollenweider said last night they were seeking damages of \$500,000 for loss of confidentiality, business, as well as legal costs. Jimmy Burns, London

## Slower US growth indicated

The US official index of leading indicators was unchanged in January, providing further evidence that economic growth may be decelerating, figures indicated yesterday. Separately, the Commerce Department reported a 0.6 per cent increase in factory orders in January, about twice the gain predicted by Wall Street analysts. Both indicators were consistent with continued growth, but at a slower pace than the 4.6 per cent annual rate registered in the fourth quarter. Analysts are now awaiting employment figures for February, due next week, for a better guide to growth prospects this quarter.

The economy's pace of growth is slowing but they disagree about the extent of the deceleration. Some doubt that the slowdown will be decisive enough to avert the need for further increases in short-term interest rates later this year. The flat reading for the leading index followed small gains of 0.1 per cent in November and 0.2 per cent in December. The index is meant to signal changes in economic activity six to nine months ahead but in practice is regarded as a guide to current conditions. The increase in orders followed robust gains of 2.7 per cent in November and 2.0 per cent in December. Michael Prouse, Washington

## Czechs halt telecom sale

A Czech court has ordered a halt to an international tender for a stake in SPT Telecom, the Czech Republic's state-owned telephone company, as opposition groups to the government's plans to find a foreign partner to help modernise the country's creaking telephone system. The court upheld a complaint by Telis, a private Czech communications company, that the government unfairly excluded it from making an offer for the stake by limiting the number of bidders invited to tender. The economy minister, Mr Karel Dyba, called the court's preliminary order unjustified and said the government was confident it would be swiftly overturned on appeal. The tender would continue in the meantime.

The government is offering 27 per cent of SPT to a strategic partner in a deal that could be worth up to \$1bn, the biggest telecommunications privatisation so far in eastern Europe. Current bidders are Telis, a consortium of Deutsche Telekom and Telfair, a consortium of France Telecom and Bell Atlantic of the US; Cetel, a consortium of Deutsche Telekom and Amarte; and TelSource, a consortium of PTT Telecom Netherlands and Swiss Telecom in association with AT&T of the US. Vincent Boland, Prague

## Japan's trade surplus drops

Japan's current account surplus was down 47 per cent to \$3.7bn in January against \$6.9bn in January last year. The Finance Ministry blamed a slowdown in export growth after the earthquake closed Tokyo, Japan's third largest port, but admitted that even excluding the effect of the earthquake, the surplus was on a falling trend. Helped by the yen's strength, cheap imports surged by nearly 22 per cent, while exports rose a mere 4.7 per cent. At the same time, Japan's deficit on trade in services widened from \$724m to \$1.5bn. Another factor was a sharp swing from a \$7.8bn surplus on the long-term capital account in January last year, when foreign investors were net buyers of Japanese shares, to a \$3.1bn deficit, a consequence of foreign selling of Japanese equities. William Dawkins, Tokyo

## Rexrodt rejects fraud claims

Mr Günter Rexrodt, the German economics minister, yesterday rejected allegations of wholesale misappropriation of government subsidies in eastern Germany. He conceded there had been some cases of misappropriation, but only DM\$70m of subsidies had been recalled after it was found that the monies had not been put to their intended use. Even this figure, he added, was probably too high as much money was recalled on the basis of incorrect documentation rather than fraud.

While claiming to share the public concern over the issue, Mr Rexrodt warned that the "emotionally charged" debate over the fate of subsidies threatened to "drive a barrier between east and west". Investment in eastern Germany would suffer if the current debate resulted in the introduction of further layers of bureaucracy to process and check the use of subsidies and investment incentives. Frederick Stedemann, Riesa, Saxony

■ Switzerland's gross domestic product grew by 2.1 per cent in 1994 following a 0.9 per cent contraction of GDP in 1993 and a 0.8 per cent fall in 1992.

■ Italy's annual rate of inflation rose sharply in February, from 0.8 per cent to 4.3 per cent, according to Istat, the official statistics institute. The main push behind price rises came from big increases in urban transport costs and utility tariffs.

## White House disarray over WTO chief

By Nancy Durne in Washington, Frances Williams in Geneva and Guy de Jonckheere in London

Clinton administration officials were yesterday trying to end the deepening disarray over the US position on who is to lead the World Trade Organisation.

On Thursday, Ms Charlene Barshefsky, the US deputy trade representative, called for the contest to be reopened following the withdrawal of Mr Carlos Salinas de Gortari, the former Mexican president and Washington's favourite candidate, after his brother was charged with murder. She said neither Mr Renato Ruggiero, the EU's candidate, nor Mr Kim Chul-su of South Korea was acceptable.

However, the US compounded confusion over its intentions yesterday after a second day of talks at the White House when it declined at a meeting of WTO diplomats in Geneva to block a further round of consultations next week on the two remaining contenders.

Delegates said Mr Booth Gardner, US WTO ambassador, remained silent and did not oppose the conclusions of the chairman, Ambassador K Kesavapany of Singapore, that the final consensus choice should be between Mr Ruggiero and Mr Kim.

EU officials, meanwhile, said that Sir Leon Brittan, the European trade commissioner, had challenged Mr Ron Brown, the US commerce secretary, at a meeting last weekend to say whether the US would veto the appointment of Mr Ruggiero.

The officials said Mr Brown had declined to do so and had assured Sir Leon that the US did not want to reopen the leadership contest.

But a Commerce Department spokesman denied that Mr Brown had given any commitment not to veto the EU candidate.

Mr Gardner said yesterday there was no US veto, but he expected a continued stalemate between Mr Ruggiero and Mr Kim, which would make a search for a new candidate inevitable. This, he implied, would be the outcome preferred by the US.

In Washington, one official admitted the administration was still uncertain what to do next, but defended its indecision on the grounds that Mr Salinas had only just left the race.

Meanwhile two Republican congressmen, Mr Scott McInnis of Colorado and Mr Jay Kim of California, are seeking support in Congress for the candidacy of Mr Kim Chul-su, on the grounds that Asia is the world's most important trading region.

EU officials are confident that most of Mr Salinas' Latin American backers will endorse Mr Ruggiero, a former Italian trade minister, who claims to be the front-runner in the contest. That would normally be a signal for Mr Kim to withdraw. The results are expected on March 13, just two days before Mr Peter Sutherland, current WTO chief, is due to leave. Trade officials said it was most unlikely, even if no consensus was reached on a successor, that Mr Sutherland would be asked to stay on at such short notice.

## Senator defects to Republicans

By Jurek Martin in Washington

The Republican Party yesterday announced its defeat over the balanced budget amendment by welcoming into its ranks a Democratic convert, Senator Ben Nighthorse Campbell from Colorado.

It also acquired another candidate for the presidential nomination. Senator Richard Lugar of Indiana, a fiscal conservative but better known for his non-doctrinaire views on foreign policy, announced he would formally declare his bid in his home state on April 29.

Senator Campbell, an American Indian who wears his hair in a pony tail, said Thursday's defeat of the budget amendment, which he voted for, was instrumental in persuading him to switch parties. But he added he had been wrestling with his allegiance for some time because "I can no longer represent the agenda put forth by my party".

His defection raises the Republican majority in the Senate to 54-46 and is the second since Senator Richard Shelby of Alabama changed sides immediately after last November's mid-term elections.

But, unlike Mr Shelby, as conservative a Democrat as there was in Congress, Mr Campbell said he had always been and would remain "a moderate." This "used to concern the Democratic left," he said, "and now presumably will concern the Republican right".

Specifically, he said he remained in favour of abortion and the school lunch programme, both the target of many conservative Republicans. He said he had called President Bill Clinton, Vice President Al Gore and Governor Roy Romer of Colorado and told them yesterday that his switch was not "personal".

Senator Tom Daschle, the minority leader, predicted Mr Campbell would find himself "uncomfortable" in the Republican Party, which wanted to "annihilate many of the programmes he has stood for all his life." He suggested that the senator-first elected in 1992 after three terms in the House, should resign and run for reelection as a Republican.

Mr Lugar's candidacy, long mooted but complicated while former vice president Dan Quayle, also from Indiana, was deliberating a bid, puts a generally recognised moderate into a field mostly dominated by the doctrinaire right.

It also guarantees some discussion of foreign policy in the Senate. The senator, 52, is a former chairman of the foreign relations committee (he currently heads the agriculture panel) and is a co-author of the US programme to assist the democratisation of the former Soviet states.

In making his announcement, he was particularly critical of Mr Clinton's foreign policy ("The only interest from time to time") but also implicitly distanced himself from the more isolationist positions popular among rightwing Republicans.

Once considered, while mayor of Indianapolis, as the vice-presidential pick by Mr Richard Nixon, Mr Lugar has been in the Senate since 1977. His low-key demeanour contrasts sharply with the more aggressive political styles of Senators Robert Dole of Kansas and Phil Gramm of Texas, the most prominent current candidates.

Mr Lugar said he had no intention of seeking to raise the \$20-25m in campaign funding now reckoned to be necessary for a serious bid. Such an "entrance fee," he said, was "obnoxious to the American people".



Children play among unlicensed cycle rickshaws impounded to ease traffic congestion in Delhi

## Central banks' united stand on dollar fails to do the trick

Concern in Germany and Japan as D-Mark and yen keep on rising

By Peter Norman in London and William Dawkins in Tokyo

Yesterday's rounds of intervention to arrest the fall in the dollar saw an unlikely group of central banks acting in harmony.

The central banks of 15 European nations followed the lead of the US Federal Reserve and the Bank of Japan in trying to curb the rise of the two premier safe haven currencies - the D-Mark and the Japanese yen.

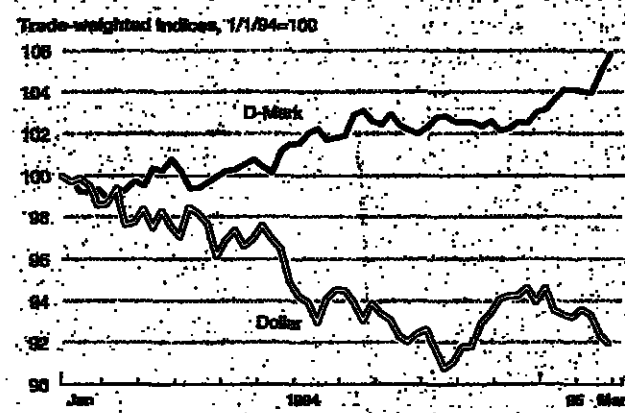
But their motivations differed widely. The Japanese government was primarily concerned that the new highs for the yen against the dollar would result in further erosion of the international competitiveness of Japanese industry.

Foreign exchange instability was "undesirable" for the world economy, said Mr Tomiichi Murayama, the prime minister.

Mr Ryutaro Hashimoto, minister of international trade and industry, warned that the yen's new strength might derail Japan's economic recovery, by eroding export earnings.

The German Bundesbank, which led yesterday's intervention in Europe, was motivated more by a wish to be seen supporting the US authorities on one of the rare occasions that they had intervened in support of the dollar. With an unre-

Exchange rates



Source: Reuters

solved wage dispute in the German engineering industry, it had no interest in easing competitive conditions for German industry and so reducing the resolve of employers to resist inflationary pay claims.

The long standing commitment of the Group of Seven industrial nations to maintain orderly market conditions was thought to be the main factor inspiring intervention by some of the larger European central banks, such as the Bank of England. The initial sharp slide in the dollar on Thursday, which prompted Fed action, took place at lunchtime in the US when market liquidity was low, and was perceived as erratic.

According to currency market analysts, some of the smaller European Union central banks saw the intervention as an opportunity to limit the depreciation of their own currencies against the D-Mark.

If successful, countries such as Italy or Spain could have hoped to curb any upward pressure on their domestic interest rates.

However, the one common factor behind yesterday's central bank action was that it did not work. Towards the end of trading in Europe, the dollar was weaker against the yen and D-Mark than before the Fed starting supporting the currency on Thursday.

The yen's climb, to around

## Japan's industrial investment remains chronically weak

By William Dawkins in Tokyo

Japan's slow economic recovery has been further delayed but not derailed by the January earthquake, according to the Bank of Japan's latest quarterly business survey, released yesterday.

The Tankan survey of business confidence, the most authoritative guide to Japan's short-term economic outlook, found that business conditions in manufacturing industry improved, irrespective of the earthquake, while the service industry did less well than expected because of disruption to the distribution system.

Yet industrial investment, the motor of previous recoveries, remains chronically weak, so that this upturn will be weaker than earlier ones, said the central bank in its quarterly bulletin, also released yesterday.

On an index measuring the balance between those reporting better and worse business conditions, manufacturers improved from minus 29 at the last Tankan survey in November,

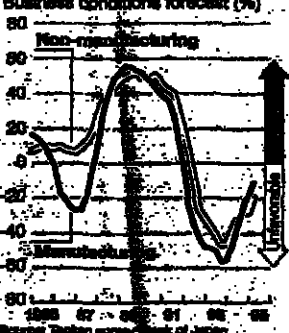
to minus 21 in February. Service companies moved only a fraction from minus 30 to minus 29. In November, service companies had forecast that their confidence indicator would reach the same level as manufacturers by now.

The central bank will probably take this latest Tankan survey as evidence that it should continue with its neutral to firm monetary policy, said economists in Tokyo. This is despite the latest resurgence in the yen, which has fuelled criticisms that Japan's high real interest rates are delaying investment in new plant.

Large companies told the survey that they plan to cut fixed investment by 1 per cent this year, greater by economies as an encouraging improvement on last year's 5.8 per cent investment decline. Fewer companies feel that they have too many workers or too much production capacity. Yet the improvement is slight: the index balance of those reporting excess employment fell from 25 to 24 during the quarter, while those reporting sur-

Japan: Tankan survey

Business conditions forecast (%)



Source: Bank of Japan

plus production capacity fell from 34 to 27. Export demand encouraged Japanese companies to increase investment during previous recessions and accelerate investment in the emerging upturns, so ensuring strong economic recoveries, the BoJ bulletin pointed out. This recovery has to struggle not just against changes in the global economy, but also greater competition in Japan's distribution industry, domestic

consumers' preference for cheap products and greater corporate cost cuts, it argues.

These pressures will not stifle the recovery, but will moderate it. "A recovery in capacity utilisation and corporate profits is likely to stimulate business investment over time," adds the bulletin.

Yesterday's Tankan survey highlights how the corporate profits recovery is spread unevenly across sectors.

Large manufacturers expect an average 30.3 per cent rise in pre-tax profits in the current fiscal year, while service companies think their profits will fall by 3.4 per cent. The small manufacturers who make up Japan's army of subcontractors, by contrast, forecast a profit rise of a mere 1.6 per cent this year, slightly less than earlier expectations.

The difference in profit outlook between large and small manufacturers underlines subcontractors' complaints that their big customers are continuing to squeeze purchase prices, even as the economic upturn continues.



## INTERNATIONAL COMPANIES AND FINANCE

## Unilever joins forces in offer for Volvo offshoot

By Hugh Carnegie  
in Stockholm

Unilever, the Anglo-Dutch consumer products group, yesterday joined the growing list of companies interested in acquiring parts of BCP, the big food, drinks and tobacco subsidiary that is being sold off by Volvo, the Swedish vehicle manufacturer.

Unilever's Swedish arm is joining forces with Spirax, a small Swedish investment group with a range of interests in the local food industry, to bid for BCP's food division, Procordia, which groups its food and drinks operations.

Spirax said the two might also bid jointly for the drinks division.

BCP, which recorded turnover of about SKr21bn

(\$137m) in 1994, is being broken up and sold by Volvo as part of a SKr400m disposal programme to concentrate on its core car and truck operations.

The sell-off, one of the biggest corporate divestments in Europe this year, has become an awkward issue for Volvo, with strong internal resistance emerging within BCP to a purchase by foreign interests.

This week, Mr Kurt Augustson, chief executive of Procordia, called for his company to be floated on the Stockholm stock exchange instead.

Unilever may be hoping to calm fears of a foreign takeover by linking with Spirax.

The Swedish company is listed on the stock market and its biggest shareholder is the Swedish farm co-operative organisation. Other main

shareholders include Volvo, with a 9.5 per cent stake.

Spirax, which posted 1994 turnover of SKr622m, said it intended to control Procordia's food operations jointly with Unilever. Unilever would contribute product development expertise and access to international markets.

Procordia is the biggest component of BCP, including the Swedish brewer Pripas, Ramlax mineral water, and leading Swedish food brands such as Felix and Abba Seafoods. The other main unit is Swedish Match, a world leader in matches and lighters.

Swedish Match is expected to be sold off in the first half of the year. However, the sensitivity over Procordia may lead to a delay over its disposal at least until the second half of this year.

## Swissair set to buy 45% holding in Sabena

By Caroline Southey  
in Brussels

Swissair is set to pay Bfr6bn (\$200m) for a 49 per cent stake in Sabena after the Belgian government agreed to the exemption of some social security costs for its national airline.

As part of the deal, Swissair is proposing that Belgian investors take a Bfr2bn stake in Sabena. Mr Jean-Luc Dehaene, the Belgian Prime Minister, said last night, "I think it should be possible that an agreement can be reached soon now," he added.

Swissair has been keen to establish a presence in the European Union's aviation market, while Sabena has sought the deal to provide it with a much needed injection of fresh capital.

Talks with Air France, which holds a 37.5 per cent stake in Sabena, have not been concluded but are progressing in a "constructive and positive climate". Air France had initially resisted the sale of its stake, held through Finacta, a holding company that groups the French state-owned carrier and financial partners.

But the French airline shifted its position after failing to secure sufficient co-operation between the two groups. It has appeared more willing to sell its stake if it can recoup the Bfr4bn it paid for its investment.

Talks between Swissair and Sabena had stalled following the Belgian airline's plan to relocate 490 pilots to Luxembourg to save on social security payments. "The exemption (of social security charges) was a key element in continuing talks with Swissair," Mr Elio Di Rupo, the Belgian communications minister, said yesterday.

The Belgian government has agreed to an exemption of Bfr650m in social security costs. Mr Pierre Godfroid, chief executive of Sabena, earlier this year proposed relocating pilots to avoid Belgium's prohibitive social costs.

## Luxottica bids \$1.1bn for US Shoe

By Richard Tomkins in New York and Andrew Hill in Milan

Italian-based Luxottica, one of the world's leading spectacle frame manufacturers, yesterday announced a surprise \$1.1bn takeover bid for US Shoe, a troubled US retailer operating 2,333 women's clothing outlets, spectacle stores and shoe shops.

Luxottica launched a cash tender offer for all US Shoe shares at \$24 a share.

If the bid succeeds, it will probably dispose of US Shoe's footwear and women's clothing divisions, but keep its Len-

sCrafters optical goods stores. The Italian company said it was putting its offer to shareholders after failing to win US Shoe's agreement to a merger. US Shoe's shares, recently depressed by the company's weak financial performance, shot up \$8 to \$24 on the news, but Luxottica's shares, traded on the New York Stock Exchange in the form of American depositary receipts, tumbled 85% to \$24.

Luxottica was founded in the early 1960s by Mr Leonardo Del Vecchio, now one of Italy's richest entrepreneurs. It has been aiming to increase its

share of the designer frame market - producing glasses for Giorgio Armani, Guccio Gucci and Byblos - and the sunglasses sector. It recently acquired a 51 per cent stake in Brico, a manufacturer of glasses and equipment for skiers and cyclists.

The Luxottica acquisition would give Luxottica control of one of the biggest optical goods retailers in North America, with 630 stores in the US and 59 in Canada. Luxottica said that by buying a retail chain it hoped to promote its products direct to consumers.

US Shoe has been ailing for several years because the profi-

tability of its LensCrafters business has been countered by the indifferent performance of its footwear division and heavy losses from its women's clothing stores.

It has faced repeated requests from its shareholders to consider a break-up of the business. Recently it had been considering a sale of its footwear business to Nine West, a rival US footwear group, but Nine West pulled out of the talks two weeks ago claiming the price tag of \$800m plus stock warrants, agreed earlier between the two parties, was too high.

## Focus narrows on US for growth

Andrew Hill reports on an Italian attempt to acquire optical superstores

The life story of Mr Leonardo Del Vecchio is a tale you may be hearing a lot more of over the next few weeks.

In brief, it tells of a man educated in a Milan orphanage, who started with a small spectacle workshop and now heads Luxottica, a company which manufactures 63,000 pairs of glasses a day and seeks to dominate the fragmented world market.

Yesterday Mr Del Vecchio, who will turn 60 in May, announced a further step towards that goal when the Italian company launched a \$1.1bn hostile tender offer for control of US Shoe, an Ohio-based retailer of shoes, women's clothes and optical goods.

This is not a rash first move into unknown geographical territory. Luxottica's first geographical market has always been the US, and although other markets are growing fast, US operations still accounted for 38.5 per cent of the group's \$1.81bn (\$48m) turnover last year.

Moved to a quarter of Luxottica's shares has been traded on the New York Stock Exchange since January 1990. Nor does the US Shoe bid mean Luxottica is diversifying into women's apparel or footwear.

Luxottica is interested only in US Shoe's chain of "optical superstores" in Canada and the US, the biggest in North America. It has already made clear it intends to dispose of

the other two operations. However, even if Luxottica manages to dispose of the clothing and footwear activities, the purchase of the stores will still represent a change of strategy for the Italian group, which has so far avoided direct ownership of retail outlets.

The announcement of the move prompted a sharp drop in Luxottica's share price in New York, suggesting that in spite of the Italian group's success to date, investors are concerned about the size and timing of the bid.

Luxottica has built its strong position in 18 different countries on the back of four factories, all in north-east Italy, and a distribution network of wholly- or part-owned subsidiaries in each of the countries where its products are sold.

In the last two years or so, the group's exports have been helped by the weakness of the Italian lira, but recently this has begun to have an impact also on the price of its materials, mostly priced in D-Marks or US dollars.

The group itself claims it can exercise a strong influence over independent retailers, one explanation of how Luxottica has been able to go on improving margins: net profits last year rose 36 per cent to \$124.9m, giving a net margin of more than 15 per cent.

As Mr Del Vecchio himself put it in an interview earlier this year: "We don't have



Leonardo Del Vecchio: a change of strategy

higher prices than others, we sell at different conditions: there are particular promotions, but in the end our product is so important for the client that they are constrained to accept our conditions."

Until yesterday's bid, it looked more likely that Luxottica would aim to expand through the development of its designer lines, further diversification into sunglasses and acquisitions taking it into niche markets, such as eyewear for cyclists and skiers.

Luxottica already produces glasses for famous names like Giorgio Armani, Brooks Brothers, Yves St Laurent and Sergio Tacchini. In 1994, designer frames accounted for more than 50 per cent of turnover for the first time.

Apart from the apparent change in direction, Luxottica shareholders may also be concerned about the coincidence of the bid with the weakness of the firm against the dollar. Yesterday evening, the Italian currency was trading at L1,573 to the dollar, compared with an official price of L1,558 on Thursday.

Acquiring the US Shoe's optical division, known as LensCrafters, will give Luxottica access to 530 optical retailing stores and leased departments in the US, and 59 stores in Canada.

Luxottica is obviously hoping that the acquisition of a retail chain will enable it to widen the distribution of its products and make the US and Canadian consumer more directly aware of the quality of its frames.

Mr Del Vecchio himself yesterday led the handling of the bid to his son Claudio, the group's managing director, who is in charge of Luxottica's US operations.

CS First Boston Corporation is advising Luxottica on the bid, and the Italian group said it had set up a \$145m credit facility from Credit Suisse, which would be used to finance the offer.

But the size of the target - LensCrafters' turnover of \$708m is greater than Luxottica's overall sales for 1994 - may make US Shoe a difficult acquisition for the Italian group to digest.

## SCA tightens grip on PWA

By Christopher Brown-Humes  
in Stockholm

SCA, Europe's leading forestry group, yesterday tightened its grip on its newly-purchased German subsidiary, PWA, when it agreed to pay SKr1.48bn (\$302m) to lift its stake to 75 per cent from 60 per cent.

Mr Sverker Martin-Lof, SCA president, said the purchase strengthened its position against possible opposition from minority shareholders to

changes in the German group's strategy. He noted that the move had been well received by rating agencies, including Standard & Poor's which yesterday took SCA off its watch list and reaffirmed the group's long-term debt rating.

SCA paid DM1.2bn (\$321m) for 60 per cent of PWA, Germany's leading independent pulp and paper group, in January. Mr Martin-Lof said the latest purchase would increase SCA's debt-equity ratio slightly to about 90 per cent, but it

would largely be funded from cash resources. The company plans to sell a 6.5 per cent voting stake in Industriavärd, an industrial investment group, for about SKr450m.

Mr Martin-Lof said SCA did not plan to bid for the rest of PWA, noting that the company's German profile, stock exchange listing, and access to capital were important. SCA plans to retain a 15 per cent voting stake in Industriavärd, which in turn holds a 24 per cent voting stake in SCA.

## Spain to sell more Repsol shares

By David White  
in Madrid

The Spanish government yesterday agreed to sell a further 15 per cent in the Repsol oil group in an international placement expected to raise about Ptas165bn (\$1.29bn).

Final details, including the issue price, are expected to be announced around mid-March. If successful, the long-awaited offering will cut the government's stake in Repsol to 25.5 per cent from 40.5 per cent, held through the insti-

tuto Nacional de Hidrocarburos. About half is due to be placed outside Spain in four sub-tranches - the UK, continental Europe, the US and the rest of the world.

The domestic tranche will be divided into institutional and retail offerings, with part of the latter reserved for employees and distributors. Repsol said market research indicated strong domestic interest.

No further placement was planned in the short or medium term, it said. Uncer-

tainty over the size of the offering has pushed Repsol's share price below what analysts believe to be its true value. They closed yesterday at Pta 3,670.

Limiting the sale to 15 per cent - 45m shares - avoids complications under Spain's new privatisation law, due to come into effect soon. Under the law's "golden share" provisions, the sale of a larger part of the government's stake, bringing its participation to below 25 per cent, would have required a special decree.

## NEWS: UK

MPs back concession that will bring industry into line with rivals in other EU states

## Tax relief for insurers wins surprise backing



A new tax relief which insurance companies say is vital if they are to compete in mainland Europe came closer yesterday when the House of Commons unexpectedly approved the necessary preliminary legislation, writes Ralph Atkins, Insurance Correspondent.

The Commons backed a Conservative MP's bill which would set a framework for the Treasury to allow tax relief on reserves built up by insurance companies during profitable years for use when catastrophes occur. The bill passed through all its Commons stages without a vote even though MPs of the

opposition Labour party blocked it earlier in the year.

If the relief is approved by the House of Lords, it might be introduced as early as this year's national Budget in November. The decision in the Commons marked a significant victory by the UK insurance industry, which has lobbied for many years for tax relief on such reserves. Relief on "equalisation reserves" is available in most other European countries, including Germany and France, and makes underwriting many types of individual and commercial insurance policies less vulnerable to big profit swings caused by natural disasters.

Mr Mark Boleat, director-general of

the Association of British Insurers, said the all-party support for the bill was "good news for the UK economy, our policyholders and the future strength of insurance companies".

The Treasury has hinted it would support tax relief - though it is not clear whether it would insist on the measure being revenue neutral. The association said it regarded the industry as having paid "up front" through the insurance Premium Tax which the Treasury introduced last October.

The threat of competition from other European Union insurers increased last summer when EU insurers were allowed to operate anywhere in the Union on the basis of regulations in

their home state. This has increased the pressure for tax differences to be smoothed.

Mr Mike Jones, spokesman for Sun Alliance, the composite insurer, said tax relief for equalisation reserves "will enable us to compete with other European insurers on a basis which will be far less distorted by tax considerations". The bill allows the government to draw up a regulatory regime for equalisation reserves - which the Treasury regards as a prerequisite for granting tax relief. Equalisation reserves allow insurers to put aside income, free of tax, when claims are low so that they can be released and taxed when there is a catastrophe.

## Court delays £210m damages payment to Gooda Names

By Ralph Atkins

Names on Gooda Walker syndicates, who include many of the worst hit members of the Lloyd's of London insurance market, suffered a setback yesterday when a £210m (\$335.5m) damages payment was delayed by the Court of Appeal in London. A stay was ordered pending a challenge to the "first come, first served" basis on which Names are being compensated.

The decision by the court to shelve the interim payment awarded by the High Court last

be heard on April 26 and 27. It is also to receive £3m of the interim award in advance to help fund its legal costs even though the group is close to completing the raising of a similar sum from its members.

Mr Michael Deeny, chairman of the action group, said: "At last the money is beginning to flow back towards the Names." He expected the "first come, first served" system to be upheld by the appeal court.

The "errors and omissions" insurance pot - out of which the Lloyd's agencies being sued by Names will fund court awards - is estimated to be worth little more than £1bn against total damages claims of more than £3bn.

Mr Ian Spooner of the Janson Green action group, one of the seven groups challenging the "first come, first served" system, said: "From the point of view of the vast majority of Names, it is better to have an equitable distribution of E&O funds."

In total the Gooda Walker action group is seeking \$459m compensation for losses incurred during the late 1980s and early 1990s, plus \$40m for foreign exchange losses, though it has acknowledged the E&O cover available may be nearer \$300m. A hearing on the final level of damages is due on March 27.

## Alloys push up steel prices

By Andrew Baxter

Users of engineering steel, the raw material for forgings and hundreds of other components in the automotive, aerospace and general engineering industries, are facing further price rises of as much as 10 per cent from the beginning of April.

UES Steels, Europe's largest manufacturer of engineering steels, said the price of some grades would rise sharply because of "dramatic" increases in the price of three alloys - molybdenum, nickel and vanadium. The alloys are used in varying quantities to make the steel easier to machine or forge. UES produces about 1.5m tonnes of steel a year.

Details of the price increases have yet to be finalised, but are bound to intensify the pressure on users to pass on their increased costs to industrial

Increases on products for engineering may reach 10% next month

customers. Prices of carbon and alloy engineering steels have already risen 30 per cent since the beginning of 1993 according to the British Forging Industry Association.

Yesterday the association said it had had mixed success in passing on the increases to customers. Steel typically accounts for 40 per cent to 50 per cent of the total price of a forging, and the forthcoming price rise would exacerbate the squeeze on forging producers.

UES is raising the surcharge it levies for every 0.1 per cent

of molybdenum content from 25.70 (\$9.05) to "up to \$20" and the nickel surcharge from £1.60 to about £3. A vanadium surcharge of 55 per 0.1 per cent is being introduced.

UES, based near Sheffield in northern England, said the price of molybdenum had risen fivefold in the past 12 months, and nickel had doubled. Vanadium prices had nearly trebled in the past three months.

The increased surcharges are likely to raise the total price of most alloy steels by 5 per cent or less. Typically, the molybdenum content of alloy steels is 1/4 to 1 per cent.

But the price of a popular stainless grade, 316, would rise by about 10 per cent. This is produced in billets and tubes by UES and has 2.25 per cent molybdenum and around 10 per cent nickel, said Mr Peter Fish of Meps (Europe), the Sheffield steel consultancy.

## US group opens phones assault

Nynex CableComms, an offshoot of Nynex of the US and one of the largest UK cable companies, yesterday said it would undercut British Telecommunications' standard charges by a quarter, Raymond Snoddy writes. It is the largest discount offered by its cable company. Nynex says its average residential customer will save 25 per cent over BT's standard prices for line rental and call charges combined, before discounts and promotions.

The cut, to take effect on

March 17, comes just before Nynex CableComms plans a simultaneous flotation on the London Stock Exchange and on the Nasdaq market in the US. The move is expected to raise \$400m (\$336m) for the company and value it at about £1.5bn.

Nynex has already sold about 100,000 domestic telephone lines mainly in cable franchises in the south of England. Its parent, the US telephone company, is also adding telephone capacity in

cable franchises in the north of England. Nynex has cable franchises covering 3.7m homes and eventually hopes to offer telephone and television services to all of them.

Mr Alan Bates, chief executive of Bell Cable Media, another large cable group which offers discounts of up to 15 per cent, said: "We don't see any need whatsoever to go any lower than that."

BT's share price fell 21.06p in London yesterday to close at 378p.

## UK NEWS DIGEST

## Harrods chief scorns 'nasty' government

Mr Mohamed Fayed, chairman of the Harrods store in London, and his brother Ali were last night considering legal action after their applications for British citizenship were rejected. Friends of the brothers described the decision as a "nasty and small-minded" act of vengeance and suggested that they had been double-crossed by the government. A Harrods statement said the brothers "consider that these refusals are unfair and based upon prejudice. They are taking legal advice."

Advisers for the Fayed acknowledged that with no right of appeal on such nationality issues, they would have to determine that the reasons for the rejection were illegal in order to secure a judicial review. Ministers have suspected that Mr Mohamed Fayed's belief that his brother's application was running into difficulty sparked his crusade against government "nasty" last year. Mr Fayed, a long-time financial supporter of the Conservative party, was the source of "cash-for-questions" allegations that resulted in the resignations of two junior ministers. Mr Hamilton denied the claims.

John Kampfner, Westminster Correspondent

## N Sea equipment contracts worth £21m

Amec Process and Energy, part of the Amec engineering group of the UK, has won two big contracts worth a total of £21m (\$33.4m). One contract, for an internal turret for a floating production, storage and offloading system (FPSO), was awarded by Single Buoy Moorings of Switzerland. The other, from Stork Protech of Holland, is for 23 modules totalling more than 3,500 tonnes. The contracts will secure 250 jobs at Amec's yards in north-east England.

Both contracts, won against European-wide competition, relate to the development of the Teal, Teal South and Gullmest oil fields in the central North Sea. The contracts mark Amec's first entry into FPSOs, the new generation of floating facilities being developed to exploit marginal oil and gas fields in the North Sea.

In recent years Amec's yards have built some of Europe's largest offshore oil and gas industry modules. But in the past year it has missed two big orders, each worth about \$50m (\$79.5m), which went to its UK rival Trafalgar House. Amec employs 850 people compared with 3,000 in the early 1990s boom.

Chris Tighe, Newcastle upon Tyne

## Offer in ferry dispute

Meridian Ferries, the UK company at the centre of a dispute with French seamen's trade unions over its employment of Polish crews, offered yesterday to substitute European

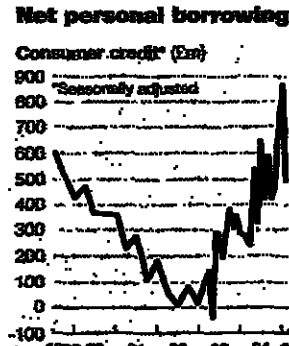
Union crew members - but only if it was allowed to operate a passenger service. The company now operates freight-only sailings between Folkestone in England and Boulogne in France, but has been seeking to persuade Sea Containers, owner of the port of Folkestone, to allow it to carry passengers on one of its two vessels. The dispute over the employment of Poles, who are paid less than French seamen, led to a blockade of ferry sailings to Calais last month.

Anti-trust investigators: European Union anti-trust officials are to hold a further hearing Monday into charges that UK ferry companies colluded to fix freight rates for the English Channel after sterling's withdrawal from the EU exchange rate mechanism in 1992. Truck transport companies complained that the ferry groups had all imposed the same freight surcharges.

Charles Batchelor, Transport Correspondent

## Consumers borrow less

Net personal borrowing



Source: Bank of England

Consumer borrowing fell back sharply in January, reflecting the weakness of spending during that month, figures from the Bank of England showed yesterday. Consumer borrowing rose by a net \$402m (\$700m) in January, barely half the figure in December.

And less than most economists had expected after adjusting for normal seasonal influences. This was consistent with the 0.9 per cent drop in retail sales volume during the month. Borrowing on credit cards rose by £115m during the month compared with the record rise of \$302m in December.

Consumer credit continues to grow strongly on an underlying trend basis. January's 0.9 per cent seasonally adjusted increase gave an 11.4 per cent rise over the year. Consumer credit growth has been accelerating recently, with an increase equivalent to 15.6 per cent a year taking place in the latest three months.

Small businesses gloomy: Prospects for small businesses are picking up rapidly, with many reporting booming export and order books, says an S.C. Warburg survey of 350 small businesses. But it adds that confidence is slipping nevertheless, and says many small companies are increasingly gloomy about inflation and interest rates. One reason for this growth in the "feel bad" factor may be a growing sense of political uncertainty, Mr Darren Winder, UK economist at Warburgs said.

Failure rate declines: Business failures, as measured by the appointment of administrators and receivers, fell by 25 per cent to 176 last month compared with February last year, accountants Touche Ross reported yesterday. "The reduction confirms that the recovery is slowly gaining ground despite the rise in interest rates intended to counter inflationary tendencies," Touche said. Economics Staff



COMPANY NEWS: UK

# Gypsum rejects BPB but is willing to talk

By Tony Jackson in New York and Andrew Taylor in London

National Gypsum, the US plasterboard maker, yesterday rejected this week's \$1.12bn (£700m) bid from BPB of the UK as inadequate. However, it left the door open to a deal at a higher price.

Gypsum said its special committee of directors, meeting on Thursday, had determined that the company was not for sale at the offer price of \$48.50 per share. The committee also considered a statement from its rival Gypsum, the North Carolina investment group, that it might top BPB's bid in an all-cash offer.

Delcor's previous offer, launched in November and raised last month, had already been rejected by the company, Mr Dixon Spangler, head of

Delcor, was also chairman of Gypsum until voted out by fellow directors last week.

It is unclear how far Delcor's announcement sets off a genuine bid battle, and how far it is merely designed to increase the value of Delcor's 19 per cent stake in Gypsum. However, the Gypsum board is obliged to take it seriously as a means of maximising the return to its shareholders.

Gypsum said the special committee believed a sale of the company might not be in shareholders' best interests. However, management would evaluate "whether there is bona fide interest in a transaction at a price level which could support the commencement of a process to maximise shareholder value".

The committee said it had reached this decision "in light

of BPB's suggestion that it may increase the price per share following a due diligence review of the company, the Delcor announcement and other expressions of interest received by National Gypsum".

BPB, Europe's largest plasterboard manufacturer, declined to comment yesterday but was thought to be satisfied it would be able to complete due diligence studies with Gypsum's support and that the door was still open for a deal.

The British group will need to satisfy itself about Gypsum's potential liability to asbestos-related claims for damages before it can mount a formal offer.

Lafarge Coppée, the French cement group and plasterboard manufacturer which has a 10 per cent stake in Gypsum, has still to announce its reaction.

## Up to 33p premium on power shares

By Peggy Hollinger

The government is expected to set the final instalments in the £4bn sale of its remaining 40 per cent stakes in National Power and PowerGen at between 26p and 33p above last night's closing prices.

It is understood that the Treasury was focusing on a fully paid price for the shares of between 26p and 31p above the price close for National Power and between 28p and 33p for PowerGen.

This would imply a final instalment price for institutional investors of between 12.24p and 12.74p for each National Power share and between 13.0p and 13.5p for PowerGen.

The first two instalments for institutional investors total 360p for National Power and 390p for PowerGen. Private investors will receive a 10p discount. National Power's shares closed 84p down at 45.64p and PowerGen fell 2p to 48.2p.

The price range of the final instalment is the result of the value which institutions have applied to the shares in the international bidding exercise.

Institutional investors place a greater value on partly-paid shares in the first year, due to the fact they will receive a full dividend. This added value is taken into account when setting the final instalment.

However, the price will not be decided until Sunday, after the 1,900 bids from institutions around the world have been collated.

Meanwhile, the government is expected to increase the proportion of shares in the £4bn issue which are available to private investors from 40 per cent to up to 60 per cent.

More than 1m applications were received from private investors, leaving the public offer subscribed twice over.

The division between the public offer and the retail tender - which is generally subscribed to by wealthier investors - will also be announced on Sunday.

The shares are due to begin trading on Monday.

See Weekend Money

# Buoyant bus and coach operations offset dull motor division

## Henlys accelerates to £16m

By Motoko Rich

Dramatically improved margins in the bus and coach business helped Henlys Group overcome weak results in the motor division to report more than doubled profits for 1994.

Group pre-tax profits rose from £7.3m to a record £16.1m on turnover up 5 per cent to £389.9m (£372.2m).

Mr Robert Wood, chief executive, said the bus and coach division, which quadrupled operating profits to £8.8m (£1.6m) on turnover ahead from £66.2m to £78.4m, benefited from improved demand, a diversified product range, and efficiencies.

Manufacturing volumes in the division increased 39 per cent and output per employee was up 38 per cent. Cost cutting had made the division highly operationally geared, while margins improved in the second half, jumping from 8 per cent to 13.4 per cent.

However, margins in the motor division were tightly squeezed and demand for new cars in the second half was slack, resulting in flat turnover

and an 8 per cent drop in operating profits to £6.9m on turnover of £311.5m (£306m).

New cars sold to the fleet market declined 5.9 per cent, while sales to private buyers rose 4.6 per cent. National registrations of new cars rose 7.45 per cent.

Henlys said it had encountered difficult trading in the accident repair market.

Overall results were flattened by 22m in exceptional profits, but the underlying figures exceeded expectations and the shares gained 10p to close at 269p.

The recommended final dividend is doubled to 6p, lifting the total to 8.5p (4.5p), against 7.5p forecast at the time of the rights issue in March.

Earnings per share rose 79 per cent to 25.9p (14.5p).

Following the rights, net cash at the year end was £7.5m. Mr Wood said the company was prepared to raise gearing to 40 per cent by expanding the motor division beyond the "big four" domestic manufacturers.

● COMMENT

Having limited its exposure to the volatile new car market by



Robert Wood: prepared to expand beyond the big four carmakers

focusing on an efficient bus and coach division, Henlys has pulled itself up by the bootstraps from its loss-making performance in 1991 and 1992. Weakness in the motor division largely reflects the market and the company is taking steps to limit the effect of tight conditions by expanding its franchise range. Further growth will come as the luxury

## Panel clears SBC and Trafalgar

By David Wighton

The Takeover Panel has cleared Swiss Bank Corporation and Trafalgar House of breaching its rules over their controversial derivatives dealings ahead of Trafalgar's £1.2bn bid for Northern Electric.

But the Panel has promised a review of the use of derivatives in takeover situations and the disclosure exemptions afforded to market-makers.

The Panel's statement mirrors that made last month by the Stock Exchange, which cleared SBC and Trafalgar but said that the regulations

may have to be changed.

Northern had appealed against a ruling by the Panel Executive before the bid which gave approval for the contracts.

But the appeal has now been dismissed by the Takeover Panel, it said. "The Panel nevertheless took the view that this case raised a number of significant issues and has therefore asked the Panel Executive to urgently review the use of derivative products in takeover situations and the relevant exemptions afforded to market-makers".

Meanwhile, Trafalgar has complained to the Panel about

a statement by Northern in a letter to its shareholders, in which it says that it has committed banking facilities of £350m from SG Warburg, its adviser, to fund its 25.07 per cent shareholding.

Trafalgar has asked the Panel to rule on whether it is right to describe the facilities as "committed".

Warburg argues that it has given Northern an unconditional offer of funds on agreed terms and that since the announcement Northern has had several offers from banks on better terms.

Trafalgar is pressing for the terms to be disclosed.

## Gehe considers bid for AAH 'generous'

By David Blackwell

Gehe, the German pharmaceuticals wholesaler, yesterday posted its offer document for AAH, the UK drugs distributor and retailer, urging shareholders to accept its "generous" £377.4m cash bid.

The document points out that Smith New Court, recently appointed joint broker to AAH, last month forecast

earnings of 20.3p for the year to the end of March. This marks a fall of 34.7 per cent on previous adjusted earnings, compared with a fall of 28.6 per cent predicted by Hoare Govett, AAH's other broker.

The document also quotes a report by James Capel describing the 49p a share offer as "a full and fair value for AAH. It is difficult to see who within the industry is likely to insti-

gate a counter bid".

AAH, which has issued two profit warnings in the last three months, said it was not impressed. "This document contains nothing new and shareholders should continue to take no action. The unsolicited offer significantly under-values AAH and its potential".

Gehe acquired a 1.4 per cent stake on Monday taking its holding to 2 per cent.

## Lloyds Bank chiefs get sharp pay increase

By Alison Smith

Sir Brian Pitman, chief executive of Lloyds Bank, received a 28 per cent pay rise last year, taking his pay package to £571,383 for 1994, excluding employer's pension contributions, according to the annual report.

The total includes a performance-related payment of £150,000, compared with a similar payment of £125,000 in 1993. This was calculated on several factors, including earnings per share. It also included staff profit sharing.

The bank said yesterday that the salary rise was needed because there had been "clear evidence that his pay was below the market rate for a top

chief executive of a very large, successful business". Sir Brian's pay is set by the bank's remuneration committee.

Last month, Lloyds reported a 26 per cent rise in pre-tax profits to £1.3bn for 1994.

The report shows that Sir Robin Ibbes, chairman, also received a significant pay rise, of 31 per cent, taking his pay package to £292,934, against £223,236 the previous year.

The Lloyds remuneration committee is made up of five non-executive directors, including Sir Richard Greenbury, who chairs the committee set up as a result of an initiative by the Confederation of British Industry to design a code of practice for companies on executive pay.

## MFI forecasts trimmed after margins warning

By Neil Buckley

Analysts yesterday downgraded profits forecasts for MFI after the furniture retailer and manufacturer warned that rising raw material costs were squeezing margins, and an increase in winter sales had been less than expected.

City forecasts for the year to May were trimmed from £80m to between £65m and £70m.

The shares fell 5p to 110p.

Mr John Randall, managing director, said paper prices were going "through the roof", while MFI also faced rising costs for timber, chemicals and plastics.

At the same time, sales of appliances and beds had grown more strongly than sales of the

kitchens and bedrooms which MFI makes itself - and on which it makes bigger margins.

Mr Randall said that gross margins had fallen by "about a percentage point" from the 52.9 per cent achieved in the first half. He added that MFI was reviewing pricing after the end of its winter sale, and would be making some "tactical" price increases.

Group sales so far for the second half were up 8.5 per cent. Sales in MFI's Hygena chain in France showed an increase of 55.4 per cent in local currency terms.

UK sales were up 6.6 per cent, with 6.1 per cent from existing stores - less than both analysts and MFI had hoped.

## Union falls £3.5m into the red

By Geoff Dyer

Union, the financial services group, blamed volatile conditions in bond and equity markets for a pre-tax loss of £3.46m in 1994.

The group, which used to be known as Union Discount, had returned to the black in 1993, with pre-tax profits of £4.55m, after suffering large losses in 1991 and 1992.

Mr George Blunden, the chief executive who joined Union from SG Warburg in 1992, defended its strategy: "We are going through a transition period. Small institutions should not take large bets, so we are looking for more fee income from services provided to clients."

The operating loss of £6.11m included an exceptional charge of £1.42m - £604,000 of costs from the acquisition of CAL Futures in December and £819,000 for a reorganisation of trading and broking. The disposal of the leasing business resulted in a profit of £1.84m.

Union's money market activities returned an operating loss of £1.72m, after making a profit of £2.07m last year. Mr Blunden said that it lost money in the volatile gilt market in the first half of the year and was hit by rising short-term interest rates in the second half.

Low volumes caused the equity and gilt-edged market division to lose £581,000 (profits of £741,000) and the cash management business incurred losses of £776,000 (profits of £103,000) after two large clients withdrew their accounts to pay tax bills.

Losses from derivatives broking increased from £174,000 to £304,000.

Losses per share were 15.2p (11.1p earnings). Union declared a final dividend of 1.5p, making a same-gain 3p for the year.

The shares were unchanged at 79p.

## Dawson shares fall 11% on second half caution

By David Blackwell

Dawson International, the Edinburgh-based textiles group that was forced to close its London office last year, yesterday warned that second half profits would be "modestly below current expectations".

The shares lost 12 1/2p to 96 1/2p, a fall of 11 per cent. Last May the group made a £45m 1-for-4 rights issue at 120p after forcing up a pre-tax loss for the year to March 26 of £35.4m.

The group yesterday repeated the warnings made by Sir Ronald Miller, chairman, at the interim results last December, which were not expected to be a major part.

Sir Ronald said it was essential to improve returns to shareholders "by focusing our resources on the growth of the businesses where we have strong positions".

## Nightfreight hits forecast with £4.5m

By Ian Hamilton Fazel, Northern Correspondent

Nightfreight, the express parcel and freight carrier which came to the market in May, yesterday announced annual profits in line with its prospectus forecast.

The Liverpool-based group made £4.51m pre-tax in the year to November 30, against £2.03m, partly reflecting the purchase of Greenline Carriers and PHS Group in November 1993. The enlarged operation lifted turnover from £21.4m to £48.5m.

The £11.1m net proceeds of the flotation were used to clear debt of about £10m incurred in the acquisitions. Earnings per share jumped 50 per cent to 7.48p (4.98p). A proposed final dividend of 2.25p brings the total to 3.38p.

More than 40 per cent of the company is owned by Mr Peter Johnson, chairman, Mr Russell Black, chief executive and founder, and their family interests. Mr Johnson, chairman of Park Road and Everton Football Club, injected venture capital to part-finance a £1.85m expansion in 1989 and sold some of his 33 per cent holding on flotation to help buy the UK.

In the UK, the group now operates 19 collection and delivery depots of its own and has another 23 run by franchisees. The purchase of its Essex franchisee was completed this week for a maximum consideration of £2m, depending on this year's results. Up to 90 per cent will be in new shares.

Nightfreight has also set up a network in Ireland with 10 franchisees and concluded an agency agreement with Jeeps, its freight forwarding operation, and Pavan, a Belgian company.

The shares, which were floated at 105p, rose 1p to 104p yesterday.

## Bell Cablemedia net losses surge to £26.4m

By Raymond Snoddy

Bell Cablemedia, one of the largest UK cable operators, reported substantially increased net losses for last year - in line with expectations.

The company, which has more than 2m homes in the UK and the Channel Islands, yesterday announced a net loss for 1994 of £26.4m, compared with £5.5m in 1993.

The fall was attributed to the acceleration in the construction of the company's cable networks for both television and telecommunications services which stretch from east London and East Anglia to the north-east of England.

Revenue rose from £5.7m to £19.5m. Net assets increased from £101.4m to £437.6m reflecting expansion of the network, acquisitions completed during the year and cash

raised from flotation on Nasdaq.

"We are in good shape. We are where we expected to be on all the parameters by which we are judged," said Mr Alan Bates, chief executive. He hopes the group will break even at the operating level by the end of 1996 or early 1997.

Bell Cablemedia has full ownership of 89,500 cable television subscribers - the company has a number of minority stakes and partnerships - and 65,200 residential telephony lines on a similar basis.

The total of cable television subscribers more than doubled and the number of residential telephone lines more than trebled from 1993's figures.

The penetration rates - the percentage of people able to subscribe who have taken out prescriptions - was 22.3 per cent for television and 25.7 per cent for telephony.

BUILDING SOCIETY INVESTMENT TERMS									
Name of Society	Product	Income	Stasis	Rate	Rate	Interest	Minimum	Amount and other details	
Alliance & Leicester	Special Edition	7.50	7.50	5.62	5.62	Ydy	100,000	7.50p, 5.50p, 7.50p, 5.50p at the option of 10% of lot without pen. fee variable	
	Home 90	6.50	6.50	5.17	5.17	Ydy	100,000	6.50p, 5.50p, 6.50p, 5.50p	
	Home 100	6.50	6.50	-	-	Ydy	10	Ydy from 100,000	
	Home 110	5.70	5.70	4.27	4.27	Ydy	100,000	5.70p, 5.50p,	



## COMMODITIES AND AGRICULTURE

## WEEK IN THE MARKETS

Cotton  
upsurge  
boils over

The World cotton market's record breaking price surge boiled over late this week. At the New York Cotton Exchange the prompt March futures contract rose 2.75 cents on Thursday morning to reach 114.67 cents a pound, the highest price recorded in the exchange's 135-year history. But the temptation to take profits proved too much for the speculators who had helped to fuel the accelerating rise that had lifted nearby positions by 36 per cent in three months. By lunch time, however, the market had gone into reverse and by the close the March price was down to 103.21 cents.

The uptrend had reflected poor cotton harvests in China, Pakistan and India this year, combined with growing demand for cotton textiles. The rise turned into a scramble for supplies in late February as the market faced up to the possibility of another short crop in China next season. Mr Carlos Valderrama, an economist with the International Cotton Advisory Committee, explained that a hot summer and this year's warm winter had created ideal conditions for an "explosion" of the Asian boll worm pest that has been plaguing the Chinese crop.

Recent Chinese buying has been seen by some as insurance against this contingency. "China is the major exporter of low- and medium-quality textiles to the world," said Mr Valderrama. "With world economies in expansion, China does not want to lose this opportunity because of lack of cotton."

The extraordinary strength of the futures market in the first half of this week reflected near-panic buying by traders who needed supplies or had to cover short positions. Others were thought to be hoarding supplies and that gave rise to fears that Thursday's setback could turn into a rout.

"If rumours that people have

been hoarding cotton are true, it will come out of the woodwork in the blink of an eye if the market starts coming down," on New York analyst told the Reuters news agency.

In the event the market managed to consolidate. The NYCE's March contract touched 100.5 cents early yesterday but recovered to 102.5 cents in late trading, 2.5 up on the week.

At the London Metal Exchange all contracts staged strong rallies in the second half of the week, helped by continuing, across-the-board drawdowns from exchange warehouse stocks.

LME copper stocks were reported 7,525 tonnes down yesterday morning at 273,300 tonnes, the lowest level since August 1992; and the market was given a further fillip by news of another cut in New York market stocks, by 1,100 short tons to 16,135 - only 14 months ago the New York stocks total stood at 123,000 tons.

The stock declines intensified concern about the tightness of supplies available for immediate delivery and this was reflected in the rebuilding of cash premiums. The cash/three months spread, which had narrowed to just \$2 a tonne on Wednesday, was out to \$30 at yesterday's close.

"Stocks are coming off all the time and if you want certain metal you have to pay for it," one trader told Reuters. Copper for delivery in three months closed yesterday at \$2,894.50 a tonne, up \$41 on the day and \$36.75 on the week.

Aluminium's LME stocks fall was even more impressive - 45,975 tonnes to 1,365,125 - and the three month's price wiped out earlier falls with an \$83 rise to \$1,898.50, up \$24 on the week.

Richard Mooney

## BASE METALS

## LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

ALUMINIUM, 99.7% PURETY (\$ per tonne)

Cash 3 mths

Close 1994-5 1995-6

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## Precious Metals continued

## GOLD COMEX (100 Troy oz; \$/troy oz)

Settled price change High Low

Mar 376.5 -0.2 376.5 376.5 376.5

Apr 377.0 -0.1 377.0 377.0 377.0

May 378.0 -0.1 378.0 378.0 378.0

Jun 379.0 -0.1 379.0 379.0 379.0

Jul 380.0 -0.1 380.0 380.0 380.0

Aug 381.0 -0.1 381.0 381.0 381.0

Sep 382.0 -0.1 382.0 382.0 382.0

Oct 383.0 -0.1 383.0 383.0 383.0

Nov 384.0 -0.1 384.0 384.0 384.0

Dec 385.0 -0.1 385.0 385.0 385.0

Total 386.0 -0.1 386.0 386.0 386.0

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## FINANCIAL TIMES

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Saturday March 4 1995

## Searching for a big idea

Mr John Major's narrow victory in this week's House of Commons vote on Europe suggests that the general election will be later rather than sooner.

The government has lost the support of Ulster's unionists. The decision by Mr Norman Lamont, the former chancellor, to vote with Labour offered a potent reminder of the passions that Europe stirs on the Tory benches. There is always a possibility that the divisions could precipitate an unexpected collapse. But the odds are that even the die-hards among the Eurosceptics will not trigger what would be a devastating defeat at the hands of the electorate.

Opinion polls won too much respect in the approach to the 1992 election. But Conservative MPs cannot ignore the polls' verdict on the government's present performance. This week's Gallup survey in the Daily Telegraph was the latest in a long line confirming Mr Major's administration is more unpopular than any of its post-war predecessors. It is given no credit for the economic recovery. It is blamed for the visible tears in the country's social fabric.

There is the palpable sense that it is drifting. When Mr Major replaced the then Mrs Margaret Thatcher in 1990, he made a virtue of his distaste for ideology. The voters had also wearied of permanent revolution. Her successor won the 1992 election on a prospectus offering quick, efficient government - a firm economic framework with low inflation and low taxes combined with a drive to improve the effectiveness of public services. There was nothing discreditable with that agenda. But pragmatism has turned to inaction. The economic recession and the circumstances of the sterling's departure from the exchange rate mechanism robbed the government of momentum. Now a small, and falling, majority set alongside the divide over Europe threatens paralysis.

## Economic orthodoxy

Ministers still have ideas. In a lecture this week on the future of Conservatism, Mr Kenneth Clarke, the chancellor, reminded us that the free-market policies of the 1980s have become the economic orthodoxy of the 1990s. Mr Tony Blair, the Labour leader, has embraced the principles of a dynamic market economy.

The Conservatives now are champions of smaller government, of the infusion into the public sector of private sector skills and of a drive for more diversity and choice in the services offered by the welfare state. That approach, rather than the return to interventionism promised by Labour, Mr Clarke argued, offers the best

prospect of managing the change and uncertainties of the last few years of this century.

He is right to judge that the broad principles espoused by Mr Blair look better in opposition than in government. The Labour leader knows the middle classes are uncomfortable with the social decay visible around them. Words like community and partnership have a powerful resonance among the voters. But Mr Blair, preoccupied with his campaign to replace Clause IV of Labour's constitution, has yet to demonstrate how he would translate principles into practice.

## Market virtues

The government's problem is that it so often appears to lack confidence in its own philosophy. In seeking to protect their flank, ministers are too often timid in promoting the virtues of the market. Mr Major's condemnation of the salary and share options packages available in the boardrooms of privatised utilities was not the final break with Thatcherism some detected. A puritan as well as a free marketeer, she would have been as angry as Mr Major at the size of the packages which some directors have been awarded. But she would not have vacillated before condemning them; she would also have realised early on that this was an issue in which the government had no real power beyond exhortation.

Labour's skilful exploitation of the public disquiet over pay awards has allowed it to undermine the broader case for privatisation. Since its retreat on the Post Office, the government has been timid in its advocacy of further privatisation. Mr Clarke speaks often of the private finance initiative. The reality is that the Mandarins have ensured it has had only a limited impact.

Mr Major's hope is that his party will hold together to allow postponement of the election until the spring of 1997. He expects by then to have returned to the voters some at least of the money taken from them during two years of rising taxes. But a fragile truce over Europe and a few pence off the basic rate of income tax will not be enough to convince the electorate that his government is worth re-electing. It is asking too much of Mr Major to produce a big idea comparable to that offered by his predecessor during the early 1980s. The Soviet Union has disappeared, the unions have been tamed. But, just as Mr Blair's claim to have restored Labour to the electability must be tested against the detail of his policies, the prime minister must demonstrate that his administration has ambitions beyond remaining in power.

Like all good melodramas, the Barings crash works on several different levels. You can see it as the clash between impetuous youth and prudent age, between greed and charity, between barrow-boys and toffs. You can see it as the price paid for the alchemist's stone of the futures markets. Or you can see it as the story of what happens to an institution when the world around it changes, and partial adjustment proves more dangerous than none.

Though Barings officially dates its foundation to 1762, three other dates are more significant in its history. The first is 1777, when the most entrepreneurial member of the Baring family, Francis, freed himself of the encumbrance of his wool-merchant brother and set his sights firmly on finance. The second is 1890, when the house, a dominant - some said overbearing - financial force, was saved from bankruptcy by a rescue orchestrated by the Bank of England.

The third is May 1984, when Baring Brothers paid £5m for a tiny business, Henderson Crosthwaite (Far East). It was to prove an inspired purchase, transforming Barings' fortunes in the 1980s. But it also contained the seeds of the disaster that struck the bank a decade later.

At the time, Barings seemed set for genteel obscurity. It had a well-established fund management business, and a good line in advising eminent international customers like the World Bank and the Saudi royal family. Otherwise, there was little except respectability to show for two centuries of banking tradition. For example, its corporate finance team, though able to boast a few successes, seemed outgunned by the leading London houses. In short, it was just the sort of business that the Big Bang, already visible on the horizon, seemed destined to sweep away.

Instead, Barings prospered mightily, and the Henderson Crosthwaite purchase - so insignificant that the FT did not even report it till weeks after it had happened - was a prime cause. Henderson Crosthwaite was an offshoot of the London broker of the same name, later swallowed up in Big Bang. It had a staff of 15, based in Hong Kong, Tokyo and London. The boss was Mr Christopher Heath, a former ICI management trainee who had specialised in Japanese equities since the mid-1970s.

The business was renamed Baring Securities, but was otherwise left unhampered by interference from 8 Bishopsgate, the Baring head office. Mr Heath fitted in well: "He was a quiet, likeable chap who we all admired," said a Barings banker. He quickly expanded his team, making the most of the Japanese stock market boom of the 1980s. In the five years after he joined Barings, the Tokyo stock market tripled, briefly outstripping Wall Street in size. That alone was enough to ensure rising profitability for any well-positioned participant. But Mr Heath had another edge: mastery of a rather obscure market called Japanese equity warrants.

Warrants are a form of options. They give the owner the right to buy a share in a company, at a fixed price and a fixed date in the future. If you own such a warrant and the share price rises above the exercise price, you are in profit. If it does not rise that high, the warrant is valueless, but there is no obligation to buy the underlying share.

Companies whose share price is expected to rise sharply in future can use warrants to borrow money

An attempt to combine old-style banking with a freewheeling securities business sealed Barings' fate, says Peter Martin

## When new into old won't go



very cheaply. They issue a bond with a very low interest rate, but with warrants attached. Anyone buying a bond gets a warrant too, and is prepared to accept the low rate of interest because of the expectation of a capital gain on the warrant.

Japanese companies issued these warrants in the millions in the 1980s, when it seemed as if their shares would go up for ever. The warrants were traded separately from the bonds and the underlying shares, forming a highly geared options market on Japanese equities.

The main customers for these warrants were, not surprisingly, in Japan - but the main market was in London. The Japanese authorities, extremely conservative in matters of financial innovation, disliked the market and tried to discourage it. They succeeded merely in driving it offshore, and into the arms of Mr Heath.

His team at Baring Securities led the Japanese equity warrants market, making big profits in the process. It was one of those unregulated markets where prices are not particularly transparent, and good dealers can get a healthy margin from their trades. Baring Securities made the most of this opportunity. In the late 1980s, it was contributing a disproportionate share of Barings' overall profits.

It was also contributing to a

divergence of culture within the group to which the Singapore debacle can be partly traced. People who worked at Baring Securities say that, by comparison with other London houses, it was run in a very relaxed way.

Mr Heath's strengths lay in understanding the market, rather than in managing staff, and a culture grew up in which corners were cut. Clients' interests were not always given the priority they

**Barings fought obscurity by pushing headlong into new markets. It was vulnerable to risks it did not appreciate**

deserved. But even to the clients, that scarcely seemed to matter: if they ended up paying slightly more for their transactions, that was peanuts compared with the profits to be made in Japanese shares.

Just as significant, there was little grasp at the Barings' group head office of quite what Baring Securities was up to. The money flowed in, in a seemingly magical stream, from markets which some, at least, of the old-style bankers did not seem fully to understand. "The distance between 8 Bishopsgate and

1 America Square [the Baring Securities office] was a few hundred yards and 150 years," said one former staff member.

When the Japanese stock market boom ended, the equity warrants market died abruptly. Baring Securities slid into loss. Mr Heath, his sights set on creating a global emerging markets business, with a strong emphasis on derivatives markets, was undeterred. To Barings, however, his strategy looked too risky, and he left in March 1993. Peter Baring, the group's chairman, said: "The more we talked the more we began to focus on the difference in view as to the scale of the business, with Heath believing there was a need for a larger operation than we were happy to contemplate."

Sometimes, however, growth becomes addictive. Asset management, though now a more glamorous business, was not really likely to provide it; nor was the corporate finance team, though it too had been reinvigorated in the 1980s. The emphasis was still on emerging markets, and on the new financial products of which warrants had been an outstanding example.

There was to be one important difference, however: caution was to be the watchword. Baring Securities was to be merged with parts of the merchant bank, to create an integrated investment banking business, combining the self-discipline

of the banking culture with the freewheeling entrepreneurialism of the securities arm. And derivatives were to be used in ways that minimised risk. To achieve this, Barings brought in a team from Bankers Trust, the acknowledged leader in the field of high-tech derivatives expertise.

The conditions for the crisis were now in place. At head office, the senior managers still largely operated on the principles of delegation, independence, initiative which make for a successful corporate finance business. Peter Baring said this week: "It is extremely difficult to get the right balance between letting people have a degree of initiative in doing a deal on the one hand and watching them continuously on the other."

In the trading arms, procedures were being tightened up, yet - in Singapore, at least - there was still enough of a relaxed atmosphere to allow one man to overrule both trading and the accounting for the profits of those trades. Most dangerous of all, the group believed that it was possible to make large risk-free profits from derivatives, on a relatively small capital base - after all, had it not done so throughout the 1980s?

The resulting tensions are reflected in last August's internal audit report. It drew attention to the control problems posed by Nick Leeson's dual role in Singapore - but it also stressed how important he was to Barings' profitability. Though it proposed tighter controls, it acceded to his desire to remain "involved in the back office" as well as the trading side of the Singapore operation. Mr Leeson was thus able to continue hiding losses in Error Account No 88888.

Weakness of formal controls was only part of the problem. There was also a striking lack of awareness of what the rest of the market was saying. In December 1994, for example, a rival investment bank was pointing to Barings' trading strategy in Nikkei futures as a potentially risky one. Barings was "short volatility", it said in an internal note: that is, its futures positions amounted to a bet that the Tokyo market would continue to trade in a very narrow range. If that prediction was unfulfilled, the note said, Barings would be exposed to a \$350m loss. If a rival bank could make that estimate from outside, how could Barings fail to make similar calculations?

Barings' dilemma in the 1980s was one which has faced many other financial services businesses. As competition and technological innovation erodes the profitability of their traditional activities, they must choose between fading away and reinventing themselves.

Barings chose to fight obscurity by pushing headlong into new markets, its conventional approach to business, and its huge initial success, left it vulnerable to risks it did not appreciate it was running.

Two centuries ago, Francis Baring ignored his mother's advice not to launch into banking. Warning of the dangers ahead, she wrote to him: "I see you have begun in the Exchange way... [I] advise you to be careful you do not run out of your depth. I am satisfied 'tis attended with risk, and many houses called considerable abroad have often disappointed and sometimes absolutely ruined those who have placed confidence in them." Francis Baring was to prove her fears unfounded; his descendants were not so lucky.

Additional research by Peter Marsh

## MAN IN THE NEWS: Vladislav Listyev

## Model for a generation

The murder on Wednesday this week of Vladislav Listyev, the man who was to have headed the main Russian TV channel, underlines how much more courage is needed to be a public figure in Russia than in the comfortable countries of the west.

Listyev, the most inventive talent in Russia's TV industry, was shot outside his flat in what appeared to be a contract killing. He was not the first. His murder must be added to those of perhaps 30 bankers, several well known industrialists, three parliamentary deputies and a dozen journalists (apart from those who died in Chechnya); among them was Dmitri Kholodov, the young newspaper reporter whose investigations into army corruption were thought to have led to his assassination last November.

However much the authorities promise "crackdowns" and a "war against crime", Russian society will continue to be dangerous because the battle for property and power that was given full rein by the collapse of communism still has far to run. Wealth once largely monopolised by the state and party (and shared with their highest functionaries behind high walls) is now being redivided and flaunted. The constantly used Russian word *bezpredel*, meaning "without limit", best describes the nature of these unleashed desires and the lengths to which some will go to satisfy them.

Wealth can now be acquired in what are (for Russians) wholly new ways. Advertising did not exist a few years ago. Now in a largely unregulated market, it turns over billions of dollars a year. The main TV channel serving Russia and most of the former Soviet states is a large player in the new game.

The board of Public Russian TV - which is to take over from the state company Ostankino in April - had decided two weeks ago to ban all advertising and use state funds while the company sought to restructure its relationship with advertising companies. These companies, according to Mr Igor Shadravulov, a board member, had been "dictating to the channel what it must do and how". The decision taken by Listyev and others to suspend advertising instantly blocked rich flows of cash; since advertising deals are made directly between agencies and producers a whole network of relationships for profit and influence was put at risk.

Further, the new channel had been set up as a share company, with 51 per cent in government hands and 49 per cent divided between many of the prominent Moscow banks and companies such as Aeroflot and the vast Gazprom gas monopoly. The investors will want either influence or a financial return, or both, from their investment. It is assumed that those who benefited from the old advertising system realised they would lose out and took revenge by paying killers to shoot the man instrumental in destroying their influence.

But the reform of Russian television that led to Listyev's murder may also show how order is emerging, unheralded, from Russia's chaos. Ostankino has wallowed in the post-Soviet soup for three years, under-capitalised, with a succession of weak leaders and unsteady policies. Now, under the chairmanship of the respected reformer and intellectual Alexander Yakovlev, and with real talent in its ranks, it is trying to live up to its task of serving an audience of 200m throughout the former Soviet Union, and shows



some signs of succeeding.

As Listyev noted in his last published interview (in Moskovsky Komsomol of February 23) the glossy independent TV channel NTV was showing the way to the often-creating Ostankino service. TV journalism in Russia has become fast (often frenetically) paced and - in the coverage of the Chechen war, if not of President Boris Yeltsin's public stumbles and lapses - frank and pointed. It is still, to too large a degree, prey to the ambitions and needs of the authorities, but Yakovlev has the standing and the nerve to challenge them publicly.

In naming Listyev as managing director, the board chose the most prominent producer and impresario in the business, in contrast to the figureheads and presidential favourites who have tended to reach the top of media organisations in both the Gorbachev and Yeltsin periods. Listyev was, while individually remarkable, also recognisable as a

type. One could call it the post-Soviet 30-somethings, or the Komsomol generation. They are men in nearly every case, who were already in their twenties when the Gorbachev enlightenment began; they were often active leaders in the Lenin league of youth (Komsomol), as was Listyev; and they were able because of their intelligence and ambition to see changes coming, to be attracted to capitalism and to hold their nerve in harvesting its first fruits.

Listyev, 38, founded or co-founded a range of innovative shows, beginning with the pioneering current affairs weekly *Vzglyad* (View) the game show *Polya Chudes* (Field of Miracles) which he described recently as "much more intellectual" than its American equivalent *Wheel of Fortune*; the serious current affairs show *Tema*; and the zany walkabout interview programme *Chas Pk* (Rush Hour). A workaholic, he told the Komsomol interviewer: "I used to get a high after every episode of *Vzglyad*. Now I don't get these anymore. What I have is work, work and more work to achieve what I want."

Members of this generation, whose careers began when the Soviet Union still existed but was losing its grip - on them as on much else - have moved into leading positions in a number of areas and will increasingly be battling with older leaders for more. They are coming into their own in an unpredictable and deadly environment. A new society is wrenching itself out of the carapace of the old, and new classes are thrashing about for space and power, each suspicious and scornful of the other, knowing how much chicanery and double-dealing is required to find a place at or near the top. Listyev's contemporaries will have to prove themselves or be choked, along with many of the hopes for a new Russia. His death damages these hopes but does not destroy them.

John Lloyd

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## NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING

Notice is hereby given that an adjourned Extraordinary General Meeting of Shareholders of Fidelity World Fund ("the Corporation") will be held at the registered office of the Fund in Luxembourg on Tuesday March 21, 1995 at noon to consider the following proposed amendments to the Articles of Incorporation:

## AGENDA

1. Deletion in paragraph 2 of article 24 of the Articles of Incorporation of the terms "in Luxembourg" in the two places where they appear.
2. Deletion in article 24 paragraph 5 of the two references to "close of business" and replacement in the first instance by the words "time of valuation (as the Board of Directors may by resolution direct)" and in the second instance by the words "time of valuation".
3. Amendment of the "Valuation Regulations", sub-paragraph B(ii) of article 24 of the Articles of Incorporation so that it reads as follows:  
"The value of any bond, time note, share, stock, debenture stock, subscription right, warrant, option or other investment or security which shall be listed or dealt in upon any stock exchange shall be determined as at the time of valuation (as the Board of Directors may by resolution direct) on any Valuation Date by taking the last available closing price (or if there has been no sale, at the closing bid price) on the Valuation Date on the stock exchange that is normally the principal market for such security, all as reported by any means in common use or, if the Board so decides, at the last available price at the time when the valuation is carried out, or in event of emergencies or unusual circumstances regarding trading of such security, if the Corporation considers that such price does not reflect the fair market value thereof, it may substitute such figure as in its opinion represents the fair market value".
4. Deletion in the Valuation Regulations Subparagraph D, F (a), F (b) and F (c) of the terms "close of business" and replacement by the words "time of valuation".

Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote. Such proxy need not be a shareholder of the Fund.

Resolutions on the agenda of the Adjourned General Meeting will be adopted if voted by two thirds (2/3) of the shares present or represented.

This meeting is an adjournment of the Extraordinary General Meeting held at the registered office of the Corporation on February 15, 1995 due to a lack of quorum as only 6,626,47 shares were present or represented out of 209,168,41 outstanding shares as at the close of business on February 14, 1995.

On behalf of the Board of Directors

Fidelity Investments



It has always been easy to talk about amending the venerable US Constitution, and never more so now that Washington has been turned into a "revolutionary" town by Newt Gingrich in the two months he has been Speaker of the House of Representatives.

But Thursday's failure to win a two-thirds majority in the US Senate for the amendment to balance the federal budget by the year 2002, albeit by a single vote, shows, yet again, how hard it is to do.

The outcome also begs larger, and more immediate, political questions. One is whether this week's blocking of a hot populist issue will, as Republicans believe, return to haunt President Bill Clinton and his party in next year's elections. Another is whether, as some Democrats hope, it marks the beginning of the end of the presidential hopes of Senator Robert Dole, perhaps the most electable Republican on the national scene. Still another is whether the gulf between a firebrand conservative House and a Senate that defies simple classification is so wide as to make improbable the sweeping legislative action that Republican control of both has promised.

Mr. Gingrich's Contract with America, the Republicans' mid-term election manifesto, is fond of constitutional amendments, mostly on the grounds that they devolve the final sanction to state legislatures which are "closer to the people" than the "imperial" Congress. They are the preferred route for balancing the budget, limiting the terms that may be served in Congress and restoring prayer to schools. Religious conservatives would like one to outlaw abortion and the speaker himself has promised a vote next year on yet another - to require a 60 per cent "supermajority" in Congress for any tax increase.

As a college lecturer in history, Gingrich should know that the historical odds are vast in favour of whole-scale adoption of all these amendments - and he conceded again this week that term limits were already in trouble. Congress has considered thousands of amendments over the past 206 years and has released only about 100 for approval by state legislatures. Of those, only 27 have achieved the support of three-quarters of these legislatures - the level required for amendments to become law.

Ten of the 27 were in the Bill of Rights, which was added in bloc in 1791. Two, the 18th and the 21st, cover the same subject: the enactment in 1919 and the repeal 14 years later of

## Setback for a 'revolution'

Jurek Martin on the defeat of an attempt to make a balanced budget a constitutional requirement in the US



The vote was an upset for the ambition of Robert Dole (left), satisfying for Robert Byrd (centre) and a help for Bill Clinton

Prohibition. Giving 18-year-olds the vote was the 26th amendment, passed in 1972.

The last to make it, courtesy of the Michigan legislature in 1992, prevents Congress from receiving pay increases it has voted itself until an election has intervened. This thoroughly modern and populist notion actually began its journey into the constitution no less than 208 years earlier when the Maryland assembly became the first to approve James Madison's proposal.

However, it would be inaccurate to leave the impression that reluctance to tinker with the revered document was the main factor in the defeat of the balanced budget amendment this week. Robert Byrd, the ancient Democrat from West Virginia, to whom the outcome gave more satisfaction than anyone else in the Senate, spoke at inordinate length about such consid-

erations. Tom Daschle from South Dakota, the new and young minority leader, warned that constitutional amendments, unlike acts of Congress, could not be redrafted each year to correct mistakes. This was the essential reservation of Mark Hatfield of Oregon, the single Republican dissenter.

But the rock on which the amendment foundered dates back not to 1789 but to 1885 - to the Social Security Act. The retirement, death and disability benefits payable to older Americans are a perennial political hot potato. Mr Dole should know, because he was majority leader in 1985 when the Republicans tried to freeze social security - a move which put them into the minority after the next elections in 1986. One poll this week found 79 per cent in favour of the budget amendment in the abstract but only 32 per cent were in favour if

it meant cutting social security.

In the negotiating crunch, Mr Dole could not persuade a pair of Democrats from North Dakota - Kent Conrad and Byron Dorgan, both known to be sympathetic to a balanced budget - that it could be achieved without tapping the social security trust funds. The succession of offers he made gave the lie to his public protestations that it was unnecessary to raid the social security bank.

The temptation to do so is enormous. Estimates of what it would take to balance the budget by 2002, through a combination of spending cuts and revenue increases, range from \$750bn to \$1,700bn. Higher taxes, for the moment, are off the agendas of both parties, leaving some very painful political decisions if balance is deemed mandatory. The accumulated surplus in the trust fund, now about \$60bn, should stand at over \$100bn

seven years from now - serious money by any calculation.

In fact, the surplus could grow to over \$150bn by 2011. But after that, when the "baby boomer" generation starts retiring, it will dwindle, falling into the red by 2019. This was Senator Conrad's basic objection and, like anybody in his 47th year, he has every reason to think of the future beyond his present employment.

To be fair, Mr Dole is aware of this. He is patently uncomfortable with the more uncompromising demands written into Mr. Gingrich's Contract, which he repeatedly says binds only Republicans in the House. These are voted every day by his rivals for the party's presidential nomination. Senator Phil Gramm of Texas, the biggest current threat, was certainly not above suggesting Mr Dole had been insufficiently resolute in pressing the balanced budget amendment. Nor did Mr Dole get any sympathy on the air from Rush Limbaugh when he called the conservative talk radio host to try to explain the difficulties.

Gramm's tactics are perfectly transparent. He would love to see Mr Dole tied down in Washington - increasingly likely now that Senate Democrats have finally tasted blood - rather than outstumping the grass roots among the committed activists who always exert undue influence in party primaries.

They are Mr. Gramm's friendly milieu, much as they were Pat Buchanan's in the 1992 primaries against George Bush, and most of them are card-carrying members of the Gingrich Contract, only too willing to hear from the hard-edged Texas senator that Mr Dole is not a true believer. In fact, the majority leader may now be pushed in a more conservative direction if he wants their support. But this drift further to the right concerns Republican moderates, another of whom, Richard Lugar of Indiana, declared his candidacy for the nomination yesterday.

The beneficiary from all this could be President Clinton, who opposed the balanced budget amendment and who can now proclaim the virtues of responsible and less disruptive deficit reduction. Unless, of course, last November really was a revolution, and not just the temporary triumph of a minority amid mass disaffection, in which case the Founding Fathers may start wondering in their graves at whatever is happening to their beautiful document.

Scheherazade Daneshkhu looks at the environmental dilemma confronting Alpine resorts

## Pollution après ski

This is the busiest time of year in the ski resorts of the Alps, as school holidays in Europe propel millions of skiers on to the pistes. But the sport's popularity has aroused concern over the damage inflicted on the mountains.

There are several problems afflicting the area:

- Forests are declining as a result of pollution and tree-felling.
- Flowers and trees are being damaged by skiers.
- Litter is dropped by tourists.
- The use of snow-making machines is affecting water supply.
- And increasing traffic is adding to pollution.

The Alps, with a resident population of 12m, bring in estimated tourism revenue of more than \$50bn a year. At least 110m people visit the region every year.

Until the 1920s the Alps were a summer destination, but by 1933 nearly half the visitors to the Tyrol region came in the winter. Most of the skiable terrain has now been developed.

Although the Alpine skiing industry is generally acknowledged to be mature, there are increasing concerns about its sustainability.

In 1981 the European Union established an Alpine Convention which aims "to safeguard and protect the Alpine region and its ecological balance, threatened by growing human intervention". According to some environmentalists, a fifth of Alpine forests have suffered from pollution and bad management.

"The current situation of Alpine forests is definitely serious and worrisome," says the Geneva-based World Conservation Union.

"If the causes of forest decline are only dimly perceived, the consequences are in contrast quite obvious. There is a considerably increased risk of avalanches, landslides, torrents and flooding." When 80 people died after a landslide in the French purpose-built resort of Les Arcs in 1981, the blame was put on tree-felling and the bulldozing of mountainsides to make pistes.

Young trees and flowers are being damaged by the cutting edges of skis, which is one reason why off-piste skiing is forbidden in some areas. The problem is particularly acute at high altitudes, where it takes 30-50 years for a tree to reach a height of 4m.

Pollution from a big increase in road traffic is also blamed for the death of trees, although it is not known how much of the damage is caused by cars and how much by the wider problem of acid rain.

Alp Action, a Geneva-based organisation set up five years ago by Prince Sadruddin Aga Khan, the philanthropist, is involved in a project to plant half a million trees by the end of this year.

Other problems are directly caused by the tourists. Litter dropped from ski-lifts into the snow reappears when it melts. As well as damaging the envi-

ronment, this adds to costs for resorts which need to clear up the rubbish for the sake of the summer tourists.

"One important thing is to make sure countryside is intact for summer," says Ms Heidi Reisz of the Swiss National Tourist Office in London. "Tourism is the third most important source of income for Switzerland and 99 per cent of visitors come for the scenery, so you have to be careful what you do with it."

Reliable statistics on the scale of the damage are scarce. This year, Green Flag International, a Cambridge-based environmental group set up in 1990 with support from tour operators, is seeking £25,000 in sponsorship for a year-long study on the environmental impact of the tourism industry in the Alps.

"Is tourism going to destroy itself because of pressure on certain areas?" asks Mr Dick Sisman, chairman of GFL. "It is important for those involved in the industry to know, because it affects their business." Tour operators are finding it increasingly hard to put together affordable packages, he says, because resorts are passing on the costs of environmental protection.

Since there is competition to cut costs between resorts in the different Alpine nations, the most effective way of maintaining the environment is through international agreements, according to Mr Ulf Födrer of the 40-year-old International Commission for the Protection of the Alps.

But there are differing attitudes to environmental problems - Switzerland is widely regarded as being the most environmentally sensitive country with Austria close behind, while France and Italy attract most of the criticism - and attempts at co-ordinated action have tended to result in pressure to reduce rather than improve standards, says Mr Födrer.

A new concern is the increased use of snow-making machines. These use large quantities of water from mountain rivers, which can disrupt the supplies of downstream users.

In addition, environmentalists blame tourism for ruining a traditional way of life and for transforming villages into concrete suburban zones connected by motorways.

Most agree, however, that tourism is the only viable economic option for those living in the mountains. "You can't be against ski tourism," says Alp Action. "But it is necessary to stop the development of large ski areas such as in the Savoie. The priority is to avoid these errors and to create a balance between winter and summer tourism so that everything is not focused on the winter."

The plentiful snow this season comes as a relief to the resorts, particularly those at a lower elevation which have suffered financially from lack of snow. But it does not solve the fundamental problem which most resorts face in balancing the demands of tourism with those of the environment.



## Campaign to wipe out discord

Paul Taylor explains why IBM decided to consolidate its advertising with one agency

Nine months ago International Business Machines stunned the advertising world by announcing that it had sacked its 40 advertising agencies around the globe and given all the work - along with worldwide billings totalling \$600m (£400m) - to a single agency.

IBM's decision to consolidate its advertising with Ogilvy & Mather, part of the WPP group, followed a wider shake-up of Big Blue's 40,000-strong marketing and sales operations by Lou Gerstner, IBM's chairman and chief executive.

Under the previous management regime the company's sales and marketing effort had been fragmented, resulting in what one senior IBM executive called "a cacophony" of competing campaigns.

Now, instead of being organised along geographic lines, IBM's marketing and sales operations have been restructured into 14 teams, each covering a specific industry segment such as banking, insurance or manufacturing. These teams are managed at either a European or a world-wide level.

IBM's new strategy is strongly reflected in its latest advertising blitz, a television, press and poster campaign

which was launched on television at the start of January in the US and the beginning of February in Europe. "This time we are deliberately projecting a single message that will help build an image that is far more in keeping with our international stature," says Lucio Stanca, IBM Europe's chairman and chief executive.

Those involved insist that

### The commercials feature people speaking their native languages, with subtitles

the campaign - which has as its central theme "solutions for a small planet" - represents a radical break with IBM's past and banishes its old image as a stuffy, arrogant and boring computer giant.

"It is advertising that will surprise viewers," says Stanca. "It is unexpected, refreshing and human in that it shows ordinary people using extraordinary technology in their daily lives."

The commercials feature people speaking their native languages with subtitles geared to the audience that will hear them.

In one, some nuns are chatting as they walk through a cloistered convent. One is complaining that her PC needs a new operating system. She says she is waiting for Microsoft's new operating system which keeps being delayed. Another nun says she was just reading about IBM's OS/2 Warp operating system - which includes built-in access to the Internet - in *Wired* magazine.

The first nun's face beams and she replies: "I'm dying to surf the net."

In another television commercial two French pensioners walk along the banks of the Seine. One turns to the other and says his hard drive is "maxed out". The friend replies that that is a "bummer" and tells his friend that IBM is working on a new way of using lasers to store 10 times more data on a hard disc. "Cool," says the first.

The campaign, which will run in at least 40 countries in five continents, was put together by an international O&M team run out of New York, with the main creative input from Los Angeles, New York and Singapore.

IBM is not the only company to have launched a series of high-tech advertisements aimed at a mass audience. Digital Equipment launched racy



IBM's campaign shows ordinary people using extraordinary technology in their daily lives

music-video style commercials on US television, and Microsoft is spending \$100m on a bold television campaign of its own - one features a company executive throwing a sheaf of papers down the centre of a spiral staircase.

Digital and Microsoft have also hired new agencies to revamp their images. In August, Digital awarded its account to DDB Needham Worldwide, dropping several agencies including Cicciola and Ketchum Advertising, while in June Microsoft signed up with Wieden Kennedy, the Oregon-based firm that created Nike's Just Do It campaign.

IBM's move to consolidate its worldwide advertising with O&M is being watched closely to see whether it marks a new trend in the globalisation of non-consumer brand advertising, and whether it leads to a further increase in the market share of the 10 biggest adver-

tising agencies.

Martin Sorrell, WPP's chief executive, believes IBM's action is a vindication of his strategy of building transnational agency networks. He says the move highlights the desire of large, multinational clients to see "greater co-ordination in campaigns rather than centralisation". As a result, he says, many agencies are having to rethink their own co-ordination patterns.

In 1990, says Kelly O'Dea, president of worldwide client service for O&M, the agency took a "pulse check" on its biggest international clients. "We found that of the top 18, nine were 'multi-local' in organisation and structure, while the other nine had truly 'global' structures."

Five years later all 15 companies are in some form of transformation into "transnational", with the emergence of a management capable of imple-

menting a global strategy, but on a local basis.

O'Dea argues that as multinational, often led by high-tech groups, have adapted their own organisations to competition in the 1990s they have sought to cut the number of their suppliers generally and to adopt marketing strategies that stress brand identity and a co-ordinated global approach.

Not all multinationals are going as far as IBM when it comes to consolidating their advertising budgets. Coca-Cola, for instance, traditionally only used McCann-Erickson but now uses several agencies.

Even the industry's most ardent advocates of single-agency relationships and global branding campaigns acknowledge that there can be downside risks, particularly in terms of creativity. "You have to guard against the tendency to accept the lowest common denominator," says O'Dea.

## Barings: wagers and law

From Mr Nicholas J Bellard.

Sir, Buying something at a future date for a fixed sum of money seems to me to be a proper contract enforceable at law. Betting on the future level of a stock exchange index was always regarded as wagering and therefore unenforceable by application of various Gaming Acts. That was the position until the Financial Services Act 1986.

Was parliament right to make this change? The Catholicism of the Catholic Church says: "Wagers... become morally unacceptable when they deprive someone of what is necessary to provide for his needs and those of others. The passion for gambling risks becoming an enslavement." I wonder what your readers think.

Nicholas J Bellard, Witham, 70 St George's Square, London SW1V 3RD, UK

From Dr Robert Brady. Sir, Comment after the collapse of Barings has been remarkably silent on the subject of changes in regulation that are already in process.

Some political commentators appear to be ignorant of the European Directive on Capital Adequacy (CAD) and some establishment commentators have not sought to mention it in defence of their position.

The CAD is due to come into effect on January 1 1996 and will address, in particular, the subject of capital cover of derivatives trading. So far the banks, especially on the continent, appear to be pressing the authorities to delay its implementation until the Basel Committee of the Bank of International Settlements has reported.

There are systems issues involved in meeting the directive but the software and implementation skills exist today. We suggest that the Barings collapse will not have been in vain if the authorities and financial institutions now focus on implementing, rather than delaying, the CAD.

Robert Brady, chairman, Brady plc, Cambridge Science Park, Milton Road, Cambs CB4 4WE, UK

## LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to "line"). Translation may be available for letters written in the main international languages.

## The growth being experienced in the UK has been driven by exports

From Prof Wynne Godley.

Sir, Mr M.C. Fitzpatrick (Letters, February 26) claims the UK recovery has not been "export driven" because the increase in net exports was only a quarter of the increase in gross domestic product between 1993 and 1994.

But Mr Fitzpatrick's arithmetical analysis tells us nothing about causality. It is only possible to reach conclusions about why things happen in terms of a model of how the economy works, although such conclusions are always going to be conditional on the particular model used. There is obviously not space to deploy a model here, but there are a number of features of the past two years which suggest to me that Mr Fitzpatrick's conclusion is wrong.

It is true that personal consumption has risen by an amount equal to nearly half the growth of GDP. But the more significant point is that consumption, in marked contrast to most previous periods of expansion, has fallen sharply as a share of GDP. So in a causal sense consumption seems to have acted as a damper on growth - and this is not surprising in view of the high level of indebtedness, the increase in tax rates and the weak performance of asset prices. Investment has been no driving force, having risen at an annual rate of 1.5 per cent over the past eight quarters and, like consumption, having fallen sharply as a share of GDP.

So what did drive the expansion? The impact of net trade

on the economy cannot be measured by the arithmetical contribution of exports less imports to GDP growth, particularly as imports are themselves so much affected by the rate of expansion overall. It would be better to take exports relative to the share of imports in production as a measure of the impact of trade, although even this is vulnerable because the propensity to import (as well as the level of imports itself) is dependent on the business cycle. It turns out that exports relative to the import share (excluding oil and allowing for changes in the terms of trade) rose at the remarkably high annual rate of 7.5 per cent between 1992Q4 and 1994Q3 - the latest data for which I can do the calculation. The previous period during the past 24

years when the ratio of exports to import penetration rose so fast was generally in times of deep depression (for example, 1976, 1980 and 1990) when the ratio rose because the import propensity collapsed. The remarkable feature of the past two years is that the balance of trade has improved while expansion of the economy has been above trend.

I conclude that it is fair, if a bit over-simplified, to say that we have, indeed, been experiencing growth "driven" by net exports, possibly for the first time in the postwar period.

Wynne Godley, Jerome Levy Economics Institute, Bard College, Blithewood, Annandale-on-Hudson, New York 12504-5000, US

## Gene decision welcome

From Mr Andrew Sheard.

Sir, Your report on the rejection of the European biotechnology directive by the European parliament suggests that much of the biotechnology industry is disappointed with the outcome ("Euro-MPs reject patents for genetic engineering", March 2).

In my experience, both as a patent attorney representing various biotechnology companies and as a member of the Industrial Property Advisory Committee of the Biotechnology Association, that is not the case; the industry is, in general, pleased that the directive was rejected.

What had started out in 1988 as a moderately useful but hardly essential tidying-up exercise in a difficult area of law subsequently became a vehicle for special interest

groups to undermine the growing and established case law which permits the patenting of proteins, DNA and other entities important to the biotechnology industry.

Although industry could have lived with the rather tortured compromise wording eventually put to the European parliament, frankly there was something of a sigh of relief when the whole package was rejected.

The law can now continue its largely harmonised development in a manner which promotes and balances the interests both of the industry and of the consumers who will ultimately benefit from its efforts.

Andrew Sheard, Killburn & Stode, 30 John Street, London WC1N 2DD, UK

## Not aware anything has changed

From Kirsten Maher.

Sir, Michael Prowse ("Sunset years for affirmative action", February 27) writes: "In the early 1960s, white males dominated most walks of life."

Have I missed something? I hadn't realised things had changed.

Kirsten Maher, 52 West 13th Street, New York, NY 10011, US



## CURRENCIES AND MONEY

## MARKETS REPORT

## Dollar sinks

The efforts of seventeen central banks were yesterday insufficient to prevent the dollar falling to fresh lows, writes Philip Gauthier.

In afternoon New York trading the dollar was trading at levels below DM1.4425 and ¥99.30 where the Fed first intervened on Thursday evening. This was despite three rounds of buying support from 14 European banks, led by the Bundesbank.

In mid-afternoon New York the dollar was trading at ¥99.30, a post second world war low, and DM1.4260. It closed on Thursday in London at DM1.4001 and ¥99.21.

The general market consensus was that intervention had failed because central banks, the Federal Reserve in particular, were concerned not so much about the level of the dollar, as the speed with which it had fallen on Thursday. The fear was about disorderly markets, rather than the dollar.

The peseta and the lira both touched fresh lows against the D-Mark, despite the intervention. The peseta hit a new low of Ptas85.56, while the lira reached L1.178 after European markets closed.

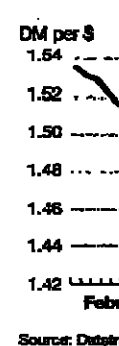
Continued concern about Latin American financial markets caused renewed weakness in the Mexican peso. Yesterday evening it was trading at 6.32 pesos against the dollar, from 5.93 on Thursday.

**Pound in New York**

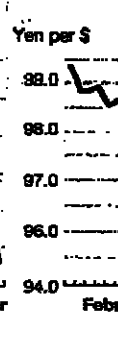
	Mar 3	Mar 2	Mar 1
1 month	1.523	1.515	1.515
3 months	1.523	1.515	1.515
6 months	1.523	1.515	1.515
1 year	1.510	1.500	1.500

Sterling was a beneficiary of the intervention. The trade weighted index finished at 87.9, up from 87.1. The pound closed at DM2.321, from DM2.307, and at \$1.6248, from \$1.5984 - the highest level against the dollar since late October. In Ireland the central bank

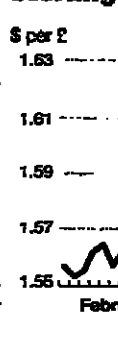
## Dollar



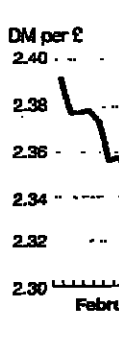
## Sterling



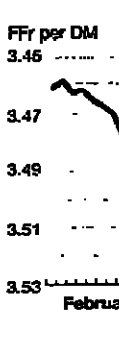
## Euro



## Yen



## FF



Source: Reuters

raised its short-term facility rate by 50 basis points to 7.75 per cent.

Intervention to support the dollar started in Europe at 8.10am with an announcement from the Bundesbank that it was buying dollars for D-Mark in concert with other central banks.

Confirmation soon followed from the central banks of Sweden, Italy, Greece, France, Austria, Belgium, Spain, Finland, Portugal, Holland, England, Norway and Switzerland that

they were also involved in the intervention.

A second round of support followed at 9.30am and the Bundesbank was again in the market shortly after midday. Once trading in New York opened, the Fed again intervened, joined by most of the European banks and Canada.

At no stage, however, did the intervention appear to be working, and the dollar slid slowly throughout the day. Mr Neil MacKinnon, chief economist at Citibank in London, said: "I think the central banks

are fighting a losing battle. They are fighting against the fundamentals."

Mr Steve Hannah, director of research at IBI International in London, said the dollar was more vulnerable against the yen was more credible as it was possible the Bank of Japan would accept a loosening of monetary conditions.

The Bank of England cleared a \$450m money market shortage at established rates. Three month LIBOR was steady at 6 1/4 per cent.

to tighten policy by raising interest rates and by putting German corporates' profits under pressure, makes them less likely to accommodate inflationary wage demands.

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## WORLD INTEREST RATES

## MONEY RATES

March 3	Over night	One month	Three months	Six months	One year	Libor	Dt. rate	Repo rate
Belgium	6 5/8	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
France	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Germany	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Italy	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Netherlands	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Spain	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Sweden	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Switzerland	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
UK	6 1/2	5 1/2	5 1/2	5 1/2	6 1/4	7.40	4.50	-
Japan	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	1.75	-

ECU Linked De sold rates: 1 year 6 1/2, 3 months 6 1/2, 6 months 6 1/2, 1 year 7 1/2. LIBOR floating rates are offered rates for 30 days quoted by the market by their respective banks at 11am each working day. The banks are: Barclays Bank, Bank of Tokyo, Bank of America, Citibank, Deutsche Bank, HSBC, JPMorgan Chase, Paribas, and others. LIBOR rates are shown for the domestic money market. US \$ LIBOR and 60% LIBOR rates are shown.

## EURO CURRENCY INTEREST RATES

March 3	Short term	7 days	One month	Three months	Six months	One year
Belgium Franc	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
French Franc	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
German Mark	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
Italian Lira	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
Spanish Peseta	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
Portuguese Esc	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
Swiss Franc	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
UK Pound	5 1/2	5 1/2	5 1/2	5 1/2	5 1/2	6 1/4
Japanese Yen	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2	2 1/2

Short term rates are call for the US Dollar and Yen, others two days notice.

## THREE MONTH EURO CURRENCY FUTURES (MATIF) Paris Interbank offered rate

March 3	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.48	93.36	-0.12	93.49	93.35	25,620	37,422
Jun	93.13	93.17	-0.04	93.24	93.11	37,711	49,042
Sep	92.97	93.01	-0.04	93.06	92.94	13,785	27,597
Dec	92.77	92.80	-0.03	92.87	92.75	5,140	22,747

## THREE MONTH EURO CURRENCY FUTURES (Liffe) \$1m points of 100%

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Jun	93.13	93.17	-0.04	93.24	93.11	37,711	49,042
Sep	92.97	93.01	-0.04	93.06	92.94	13,785	27,597
Dec	92.77	92.80	-0.03	92.87	92.75	5,140	22,747

## THREE MONTH EURO CURRENCY FUTURES (Liffe) \$1m points of 100%

March 3	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.48	93.36	-0.12	93.49	93.35	25,620	37,422
Jun	93.13	93.17	-0.04	93.24	93.11	37,711	49,042
Sep	92.97	93.01	-0.04	93.06	92.94	13,785	27,597
Dec	92.77	92.80	-0.03	92.87	92.75	5,140	22,747

## THREE MONTH EURO CURRENCY FUTURES (Liffe) \$1m points of 100%

March 3	Open	Sett price	Change	High	Low	Est. vol	Open int.
Mar	93.48	93.36	-0.12	93.49	93.35	25,620	37,422
Jun	93.13	93.17	-0.04	93.24	93.11	37,711	49,042
Sep	92.97	93.01	-0.04	93.06	92.94	13,785	27,597
Dec	92.77	92.80	-0.03	92.87	92.75	5,140	22,747

## THREE MONTH EURO CURRENCY FUTURES (Liffe) \$1m points of 100%



● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 71) 873 4378 for more details.

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## Guide to pricing of Autoguide

Compiled with the assistance of Autoguide

**INITIAL CHARGES:** Charges apply for a credit investigation, travel to the selling and/or buying location, and a delivery confirmation card. Insurance is not included in the initial charge. This charge is included in the selling price of the vehicle.

**SALES TAX:** Also called sales taxes. The amount of sales tax varies by state and is not included in the selling price.

**SELLING PRICE:** Also called bid price. The price of a vehicle when sold below its investment.

**TREATMENT OF MANAGER'S PERIODIC CHARGES:** The letter C denotes the first dollar dollar or part of the dollar of the periodic charge. The letter D denotes the dollar or part of the dollar of the periodic charge for full details of the effect of this section of rates.

**EXIT CHARGES:** The letter E denotes that the vehicle is sold below its investment and charges may be made under your plan. The letter F denotes that the vehicle is sold at or above its investment and no charges will be made.

**PERIODIC CHARGES:** These rates represent the kind of periodic charges that will be made for the time of the sale. The letter A denotes that the vehicle is sold at or above its investment and no charges will be made. The letter B denotes that the vehicle is sold below its investment and charges may be made under your plan. The letter C denotes that the vehicle is sold at or above its investment and no charges will be made. The letter D denotes that the vehicle is sold below its investment and charges may be made under your plan. The letter E denotes that the vehicle is sold at or above its investment and no charges will be made. The letter F denotes that the vehicle is sold below its investment and charges may be made under your plan.

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<b>Continental Unit Managers Limited (17004)</b>			
Chennai branch, Madras, London WC 2H			
Securities (1977-1978)	100.0	100.0	100.0
Shareholders	275	100.0	100.0
Shareholders	275	100.0	100.0
<b>Commerce Unit Trust Managers Ltd (10000)</b>			
1 Commercial Unit	100.0	100.0	100.0
2 Commercial Unit	100.0	100.0	100.0
3 Commercial Unit	100.0	100.0	100.0
4 Commercial Unit	100.0	100.0	100.0
5 Commercial Unit	100.0	100.0	100.0
6 Commercial Unit	100.0	100.0	100.0
7 Commercial Unit	100.0	100.0	100.0
8 Commercial Unit	100.0	100.0	100.0
9 Commercial Unit	100.0	100.0	100.0
10 Commercial Unit	100.0	100.0	100.0
11 Commercial Unit	100.0	100.0	100.0
12 Commercial Unit	100.0	100.0	100.0
13 Commercial Unit	100.0	100.0	100.0
14 Commercial Unit	100.0	100.0	100.0
15 Commercial Unit	100.0	100.0	100.0
16 Commercial Unit	100.0	100.0	100.0
17 Commercial Unit	100.0	100.0	100.0
18 Commercial Unit	100.0	100.0	100.0
19 Commercial Unit	100.0	100.0	100.0
20 Commercial Unit	100.0	100.0	100.0
21 Commercial Unit	100.0	100.0	100.0
22 Commercial Unit	100.0	100.0	100.0
23 Commercial Unit	100.0	100.0	100.0
24 Commercial Unit	100.0	100.0	100.0
25 Commercial Unit	100.0	100.0	100.0
26 Commercial Unit	100.0	100.0	100.0
27 Commercial Unit	100.0	100.0	100.0
28 Commercial Unit	100.0	100.0	100.0
29 Commercial Unit	100.0	100.0	100.0
30 Commercial Unit	100.0	100.0	100.0
31 Commercial Unit	100.0	100.0	100.0
32 Commercial Unit	100.0	100.0	100.0
33 Commercial Unit	100.0	100.0	100.0
34 Commercial Unit	100.0	100.0	100.0
35 Commercial Unit	100.0	100.0	100.0
36 Commercial Unit	100.0	100.0	100.0
37 Commercial Unit	100.0	100.0	100.0
38 Commercial Unit	100.0	100.0	100.0
39 Commercial Unit	100.0	100.0	100.0
40 Commercial Unit	100.0	100.0	100.0
41 Commercial Unit	100.0	100.0	100.0
42 Commercial Unit	100.0	100.0	100.0
43 Commercial Unit	100.0	100.0	100.0
44 Commercial Unit	100.0	100.0	100.0
45 Commercial Unit	100.0	100.0	100.0
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50 Commercial Unit	100.0	100.0	100.0
51 Commercial Unit	100.0	100.0	100.0
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53 Commercial Unit	100.0	100.0	100.0
54 Commercial Unit	100.0	100.0	100.0
55 Commercial Unit	100.0	100.0	100.0
56 Commercial Unit	100.0	100.0	100.0
57 Commercial Unit	100.0	100.0	100.0
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60 Commercial Unit	100.0	100.0	100.0
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62 Commercial Unit	100.0	100.0	100.0
63 Commercial Unit	100.0	100.0	100.0
64 Commercial Unit	100.0	100.0	100.0
65 Commercial Unit	100.0	100.0	100.0
66 Commercial Unit	100.0	100.0	100.0
67 Commercial Unit	100.0	100.0	100.0
68 Commercial Unit	100.0	100.0	100.0
69 Commercial Unit	100.0	100.0	100.0
70 Commercial Unit	100.0	100.0	100.0
71 Commercial Unit	100.0	100.0	100.0
72 Commercial Unit	100.0	100.0	100.0
73 Commercial Unit	100.0	100.0	100.0
74 Commercial Unit	100.0	100.0	100.0
75 Commercial Unit	100.0	100.0	100.0
76 Commercial Unit	100.0	100.0	100.0
77 Commercial Unit	100.0	100.0	100.0

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<p> <b>General</b>          1979-80          1980-81          1981-82          1982-83          1983-84          1984-85          1985-86          1986-87          1987-88          1988-89          1989-90          1990-91          1991-92          1992-93          1993-94          1994-95          1995-96          1996-97          1997-98          1998-99          1999-00          2000-01          2001-02          2002-03          2003-04          2004-05          2005-06          2006-07          2007-08          2008-09          2009-10          2010-11          2011-12          2012-13          2013-14          2014-15          2015-16          2016-17          2017-18          2018-19          2019-20          2020-21          2021-22          2022-23          2023-24          2024-25          2025-26          2026-27          2027-28          2028-29          2029-30          2030-31          2031-32          2032-33          2033-34          2034-35          2035-36          2036-37          2037-38          2038-39          2039-40          2040-41          2041-42          2042-43          2043-44          2044-45          2045-46          2046-47          2047-48          2048-49          2049-50          2050-51          2051-52          2052-53          2053-54          2054-55          2055-56          2056-57          2057-58          2058-59          2059-60          2060-61          2061-62          2062-63          2063-64          2064-65          2065-66          2066-67          2067-68          2068-69          2069-70          2070-71          2071-72          2072-73          2073-74          2074-75          2075-76          2076-77          2077-78          2078-79          2079-80          2080-81          2081-82          2082-83          2083-84          2084-85          2085-86          2086-87          2087-88          2088-89          2089-90          2090-91          2091-92          2092-93          2093-94          2094-95          2095-96          2096-97          2097-98          2098-99          2099-00          2100-01          2101-02          2102-03          2103-04          2104-05          2105-06          2106-07          2107-08          2108-09          2109-10          2110-11          2111-12          2112-13          2113-14          2114-15          2115-16          2116-17          2117-18          2118-19          2119-20          2120-21          2121-22          2122-23          2123-24          2124-25          2125-26          2126-27          2127-28          2128-29          2129-30          2130-31          2131-32          2132-33          2133-34          2134-35          2135-36          2136-37          2137-38          2138-39          2139-40          2140-41          2141-42          2142-43          2143-44          2144-45          2145-46          2146-47          2147-48          2148-49          2149-50          2150-51          2151-52          2152-53          2153-54          2154-55          2155-56          2156-57          2157-58          2158-59          2159-60          2160-61          2161-62          2162-63          2163-64          2164-65          2165-66          2166-67          2167-68          2168-69          2169-70          2170-71          2171-72          2172-73          2173-74          2174-75          2175-76          2176-77          2177-78          2178-79          2179-80          2180-81          2181-82          2182-83          2183-84          2184-85          2185-86          2186-87          2187-88          2188-89          2189-90          2190-91          2191-92          2192-93          2193-94          2194-95          2195-96          2196-97          2197-98          2198-99          2199-00          2200-01          2201-02          2202-03          2203-04          2204-05          2205-06          2206-07          2207-08          2208-09          2209-10          2210-11          2211-12          2212-13          2213-14          2214-15          2215-16          2216-17          2217-18          2218-19          2219-20          2220-21          2221-22          2222-23          2223-24          2224-25          2225-26          2226-27          2227-28          2228-29          2229-30          2230-31          2231-32          2232-33          2233-34          2234-35          2235-36          2236-37          2237-38          2238-39          2239-40          2240-41          2241-42          2242-43          2243-44          2244-45          2245-46          2246-47          2247-48          2248-49          2249-50          2250-51          2251-52          2252-53          2253-54          2254-55          2255-56          2256-57          2257-58          2258-59          2259-60          2260-61          2261-62          2262-63          2263-64          2264-65          2265-66          2266-67          2267-68          2268-69          2269-70          2270-71          2271-72          2272-73          2273-74          2274-75          2275-76          2276-77          2277-78          2278-79          2279-80          2280-81          2281-82          2282-83          2283-84          2284-85          2285-86          2286-87          2287-88          2288-89          2289-90          2290-91          2291-92          2292-93          2293-94          2294-95          2295-96          2296-97          2297-98          2298-99          2299-00          2300-01          2301-02          2302-03          2303-04          2304-05          2305-06          2306-07          2307-08          2308-09          2309-10          2310-11          2311-12          2312-13          2313-14          2314-15          2315-16          2316-17          2317-18          23</p>
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Managed Funds Service.  
Associations of Unit Trants  
of Investment Funds,  
Kingston,  
Jamaica, W228 6TD.  
t: 071-891-0888.

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Com Inc	5/4	138 5/8	142 5/8	-4 5/8	0.00
Com Inc	5/4	151 0/8	161 1/8	-10 1/8	0.00
Com Inc	5/4	286 1/8	275 3/8	10 5/8	6.00
Com Inc	5/4	75 5/8	80 1/8	-4 5/8	0.00
Com Inc	5/4	359 0/8	291 0/8	68 0/8	0.00
Com Inc	5/4	57 7/8	61 7/8	-4 0/8	0.00
Com Inc	5/4	121 0/8	128 1/8	-7 1/8	0.00
Com Inc	5/4	41 5/8	44 5/8	-3 0/8	0.00
Com Inc	5/4	45 1/8	48 1/8	-3 0/8	0.00
Com Inc	5/4	150 1/8	161 1/8	-11 0/8	0.00
Com Inc	5/4	263 5/8	281 5/8	-18 0/8	0.00
Com Inc	5/4	74 5/8	80 1/8	-5 5/8	0.00
Com Inc	5/4	130 5/8	142 5/8	-12 0/8	0.00
Com Inc	5/4	134 3/8	142 3/8	-8 0/8	0.00

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Currencies		Commodities		Stocks		Bonds		Futures	
US Dollar	1.0000	Gold	1250.00	US 100	100.00	US 100	100.00	US 100	100.00
British Pound	0.7500	Silver	15.00	US 500	500.00	US 500	500.00	US 500	500.00
Japanese Yen	100.00	Crude Oil	25.00	US 200	200.00	US 200	200.00	US 200	200.00
Swiss Franc	1.5000	Natural Gas	3.00	US 100	100.00	US 100	100.00	US 100	100.00
French Franc	6.5596	Heating Oil	1.50	US 50	50.00	US 50	50.00	US 50	50.00
German Mark	3.3757	Gasoline	1.20	US 20	20.00	US 20	20.00	US 20	20.00
Italian Lira	2036.27	Wheat	4.00	US 10	10.00	US 10	10.00	US 10	10.00
Spanish Peseta	166.64	Corn	3.00	US 5	5.00	US 5	5.00	US 5	5.00
Portuguese Escudo	200.48	Soybeans	10.00	US 2.5	2.50	US 2.5	2.50	US 2.5	2.50
Belgian Franc	36.3636	Wheat	4.00	US 1.0	1.00	US 1.0	1.00	US 1.0	1.00
Dutch Guilder	2.3636	Corn	3.00	US 0.5	0.50	US 0.5	0.50	US 0.5	0.50
Austrian Schilling	13.7603	Soybeans	10.00	US 0.25	0.25	US 0.25	0.25	US 0.25	0.25
Swedish Krona	4.6634	Wheat	4.00	US 0.125	0.125	US 0.125	0.125	US 0.125	0.125
Norwegian Krone	4.7556	Corn	3.00	US 0.0625	0.0625	US 0.0625	0.0625	US 0.0625	0.0625
Finland Mark	5.9457	Soybeans	10.00	US 0.03125	0.03125	US 0.03125	0.03125	US 0.03125	0.03125
Denmark Krone	6.4656	Wheat	4.00	US 0.015625	0.015625	US 0.015625	0.015625	US 0.015625	0.015625
Irish Punt	7.8756	Corn	3.00	US 0.0078125	0.0078125	US 0.0078125	0.0078125	US 0.0078125	0.0078125
Portuguese Escudo	200.48	Soybeans	10.00	US 0.00390625	0.00390625	US 0.00390625	0.00390625	US 0.00390625	0.00390625
Spanish Peseta	166.64	Wheat	4.00	US 0.001953125	0.001953125	US 0.001953125	0.001953125	US 0.001953125	0.001953125
Italian Lira	2036.27	Corn	3.00	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625
French Franc	6.5596	Soybeans	10.00	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125
German Mark	3.3757	Wheat	4.00	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625
British Pound	0.7500	Corn	3.00	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125
Japanese Yen	100.00	Soybeans	10.00	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625
Swiss Franc	1.5000	Wheat	4.00	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125
French Franc	6.5596	Corn	3.00	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625
German Mark	3.3757	Soybeans	10.00	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125
British Pound	0.7500	Wheat	4.00	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625
Japanese Yen	100.00	Corn	3.00	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125

Currencies		Commodities		Stocks		Bonds		Futures	
US Dollar	1.0000	Gold	1250.00	US 100	100.00	US 100	100.00	US 100	100.00
British Pound	0.7500	Silver	15.00	US 500	500.00	US 500	500.00	US 500	500.00
Japanese Yen	100.00	Crude Oil	25.00	US 200	200.00	US 200	200.00	US 200	200.00
Swiss Franc	1.5000	Natural Gas	3.00	US 100	100.00	US 100	100.00	US 100	100.00
French Franc	6.5596	Heating Oil	1.50	US 50	50.00	US 50	50.00	US 50	50.00
German Mark	3.3757	Gasoline	1.20	US 20	20.00	US 20	20.00	US 20	20.00
Italian Lira	2036.27	Wheat	4.00	US 10	10.00	US 10	10.00	US 10	10.00
Spanish Peseta	166.64	Corn	3.00	US 5	5.00	US 5	5.00	US 5	5.00
Portuguese Escudo	200.48	Soybeans	10.00	US 2.5	2.50	US 2.5	2.50	US 2.5	2.50
Belgian Franc	36.3636	Wheat	4.00	US 1.0	1.00	US 1.0	1.00	US 1.0	1.00
Dutch Guilder	2.3636	Corn	3.00	US 0.5	0.50	US 0.5	0.50	US 0.5	0.50
Austrian Schilling	13.7603	Soybeans	10.00	US 0.25	0.25	US 0.25	0.25	US 0.25	0.25
Swedish Krona	4.6634	Wheat	4.00	US 0.125	0.125	US 0.125	0.125	US 0.125	0.125
Norwegian Krone	4.7556	Corn	3.00	US 0.0625	0.0625	US 0.0625	0.0625	US 0.0625	0.0625
Finland Mark	5.9457	Soybeans	10.00	US 0.03125	0.03125	US 0.03125	0.03125	US 0.03125	0.03125
Denmark Krone	6.4656	Wheat	4.00	US 0.015625	0.015625	US 0.015625	0.015625	US 0.015625	0.015625
Irish Punt	7.8756	Corn	3.00	US 0.0078125	0.0078125	US 0.0078125	0.0078125	US 0.0078125	0.0078125
Portuguese Escudo	200.48	Soybeans	10.00	US 0.00390625	0.00390625	US 0.00390625	0.00390625	US 0.00390625	0.00390625
Spanish Peseta	166.64	Wheat	4.00	US 0.001953125	0.001953125	US 0.001953125	0.001953125	US 0.001953125	0.001953125
Italian Lira	2036.27	Corn	3.00	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625
French Franc	6.5596	Soybeans	10.00	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125
German Mark	3.3757	Wheat	4.00	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625
British Pound	0.7500	Corn	3.00	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125
Japanese Yen	100.00	Soybeans	10.00	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625
Swiss Franc	1.5000	Wheat	4.00	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125
French Franc	6.5596	Corn	3.00	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625
German Mark	3.3757	Soybeans	10.00	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125
British Pound	0.7500	Wheat	4.00	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625
Japanese Yen	100.00	Corn	3.00	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125

Currencies		Commodities		Stocks		Bonds		Futures	
US Dollar	1.0000	Gold	1250.00	US 100	100.00	US 100	100.00	US 100	100.00
British Pound	0.7500	Silver	15.00	US 500	500.00	US 500	500.00	US 500	500.00
Japanese Yen	100.00	Crude Oil	25.00	US 200	200.00	US 200	200.00	US 200	200.00
Swiss Franc	1.5000	Natural Gas	3.00	US 100	100.00	US 100	100.00	US 100	100.00
French Franc	6.5596	Heating Oil	1.50	US 50	50.00	US 50	50.00	US 50	50.00
German Mark	3.3757	Gasoline	1.20	US 20	20.00	US 20	20.00	US 20	20.00
Italian Lira	2036.27	Wheat	4.00	US 10	10.00	US 10	10.00	US 10	10.00
Spanish Peseta	166.64	Corn	3.00	US 5	5.00	US 5	5.00	US 5	5.00
Portuguese Escudo	200.48	Soybeans	10.00	US 2.5	2.50	US 2.5	2.50	US 2.5	2.50
Belgian Franc	36.3636	Wheat	4.00	US 1.0	1.00	US 1.0	1.00	US 1.0	1.00
Dutch Guilder	2.3636	Corn	3.00	US 0.5	0.50	US 0.5	0.50	US 0.5	0.50
Austrian Schilling	13.7603	Soybeans	10.00	US 0.25	0.25	US 0.25	0.25	US 0.25	0.25
Swedish Krona	4.6634	Wheat	4.00	US 0.125	0.125	US 0.125	0.125	US 0.125	0.125
Norwegian Krone	4.7556	Corn	3.00	US 0.0625	0.0625	US 0.0625	0.0625	US 0.0625	0.0625
Finland Mark	5.9457	Soybeans	10.00	US 0.03125	0.03125	US 0.03125	0.03125	US 0.03125	0.03125
Denmark Krone	6.4656	Wheat	4.00	US 0.015625	0.015625	US 0.015625	0.015625	US 0.015625	0.015625
Irish Punt	7.8756	Corn	3.00	US 0.0078125	0.0078125	US 0.0078125	0.0078125	US 0.0078125	0.0078125
Portuguese Escudo	200.48	Soybeans	10.00	US 0.00390625	0.00390625	US 0.00390625	0.00390625	US 0.00390625	0.00390625
Spanish Peseta	166.64	Wheat	4.00	US 0.001953125	0.001953125	US 0.001953125	0.001953125	US 0.001953125	0.001953125
Italian Lira	2036.27	Corn	3.00	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625	US 0.0009765625	0.0009765625
French Franc	6.5596	Soybeans	10.00	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125	US 0.00048828125	0.00048828125
German Mark	3.3757	Wheat	4.00	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625	US 0.000244140625	0.000244140625
British Pound	0.7500	Corn	3.00	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125	US 0.0001220703125	0.0001220703125
Japanese Yen	100.00	Soybeans	10.00	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625	US 0.00006103515625	0.00006103515625
Swiss Franc	1.5000	Wheat	4.00	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125	US 0.000030517578125	0.000030517578125
French Franc	6.5596	Corn	3.00	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625	US 0.0000152587890625	0.0000152587890625
German Mark	3.3757	Soybeans	10.00	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125	US 0.00000762939453125	0.00000762939453125
British Pound	0.7500	Wheat	4.00	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625	US 0.000003814697265625	0.000003814697265625
Japanese Yen	100.00	Corn	3.00	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125	US 0.0000019073486328125	0.0000019073486328125

Currencies		Commodities		Stocks		Bonds		Futures	
US Dollar	1.0000	Gold	1250.00	US 100	100.00	US 100	100.00	US 100	100.00
British Pound	0.7500	Silver	15.00	US 500	500.00	US 500	500.00	US 500	500.00
Japanese Yen	100.00	Crude Oil	25.00	US 200	200.00	US 200	200.00	US 200	200.00
Swiss Franc	1.5000	Natural Gas	3.00	US 100	100.00	US 100	100.00	US 100	100.00
French Franc	6.5596	Heating Oil	1.50	US 50	50.00	US 50	50.00	US 50	50.00
German Mark	3.3757	Gasoline	1.20	US 20	20.00	US 20	20.00	US 20	20.00
Italian Lira	2036.27	Wheat	4.00	US 10	10.00	US 10	10.00	US 10	10.00
Spanish Peseta	166.64	Corn	3.00	US 5	5.00	US 5	5.00	US 5	5.00
Portuguese Escudo	200.48	Soybeans							

[illegible]

	1992	1991	1990
Assets	792.90	761.50	733.150
Debt & Paid up Inv.	24.88	25.85	43.00
Yield	97.42	102.00	0.98
Income & Growth	133.91	140.20	0.86
International	235.20	245.30	1.50
Investments General	189.30	189.10	1.50
Spain Tech	75.52	70.43	0.80
Participation	50.23	85.85	1.00
Warrants	75.20	70.71	0.71
Preferred Cos	118.20	123.70	0.10
Industrial Sols	141.10	147.70	1.58
Emerging Cos	87.35	91.44	0.00
Smaller Cos	81.48	85.31	0.01

[illegible][illegible][illegible][illegible]

	1988	1987	% Chg
Operating Profit	30.00	47.70	-37.1
Accounting Profit	157.2	186.5	-15.8
<b>United Health Managers Ltd (100%)</b>			
1988 Health Managers Ltd. (working)			
Operating Profit	11.27	20.01	-43.7
<b>1987</b>			
Operating Profit	76.79	51.69	48.4
Accounting Profit	61.10	64.30	-5.3
Operating Profit	66.37	70.52	-6.0
Accounting Profit	51.31	57.13	-9.3
Operating Profit	10.08	21.25	-52.1
Accounting Profit	347.0	368.1	-5.7
Operating Profit	452.6	457.4	-1.0

[illegible][illegible][illegible]

2. Deletion in article 24 of the  
 replacement in the first  
 Directors may by res  
 "time of valuation".  
 3. Amendment of the "V  
 the Articles of Incorpor  
 "(ii) the value of any  
 right, warrant, option o  
 in upon any stock exch  
 Board of Directors may  
 last available closing p  
 on the Valuation Date  
 for such security, all a  
 decides, at the last ava  
 in event of emergenc  
 security, if the Corpo  
 market value thereo  
 fair market value".  
 4. Deletion in the Valua  
 the terms "close of bus

Subject to the limitations  
 regard to ownership of  
 aggregate more than th  
 entitled to one vote. A  
 appoint a proxy to atten  
 Fund.

Resolutions on the agen  
 voted by two thirds (2/3)

This meeting is an adjou  
 registered office of the C  
 only 6,626.47 shares wo  
 shares as at the close of b

On behalf of the Board of

**Fidel**[illegible]

1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28	2028-29	2029-30	2030-31	2031-32	2032-33	2033-34	2034-35	2035-36	2036-37	2037-38	2038-39	2039-40	2040-41	2041-42	2042-43	2043-44	2044-45	2045-46	2046-47	2047-48	2048-49	2049-50	2050-51	2051-52	2052-53	2053-54	2054-55	2055-56	2056-57	2057-58	2058-59	2059-60	2060-61	2061-62	2062-63	2063-64	2064-65	2065-66	2066-67	2067-68	2068-69	2069-70	2070-71	2071-72	2072-73	2073-74	2074-75	2075-76	2076-77	2077-78	2078-79	2079-80	2080-81	2081-82	2082-83	2083-84	2084-85	2085-86	2086-87	2087-88	2088-89	2089-90	2090-91	2091-92	2092-93	2093-94	2094-95	2095-96	2096-97	2097-98	2098-99	2099-00	2100-01	2101-02	2102-03	2103-04	2104-05	2105-06	2106-07	2107-08	2108-09	2109-10	2110-11	2111-12	2112-13	2113-14	2114-15	2115-16	2116-17	2117-18	2118-19	2119-20	2120-21	2121-22	2122-23	2123-24	2124-25	2125-26	2126-27	2127-28	2128-29	2129-30	2130-31	2131-32	2132-33	2133-34	2134-35	2135-36	2136-37	2137-38	2138-39	2139-40	2140-41	2141-42	2142-43	2143-44	2144-45	2145-46	2146-47	2147-48	2148-49	2149-50	2150-51	2151-52	2152-53	2153-54	2154-55	2155-56	2156-57	2157-58	2158-59	2159-60	2160-61	2161-62	2162-63	2163-64	2164-65	2165-66	2166-67	2167-68	2168-69	2169-70	2170-71	2171-72	2172-73	2173-74	2174-75	2175-76	2176-77	2177-78	2178-79	2179-80	2180-81	2181-82	2182-83	2183-84	2184-85	2185-86	2186-87	2187-88	2188-89	2189-90	2190-91	2191-92	2192-93	2193-94	2194-95	2195-96	2196-97	2197-98	2198-99	2199-00	2200-01	2201-02	2202-03	2203-04	2204-05	2205-06	2206-07	2207-08	2208-09	2209-10	2210-11	2211-12	2212-13	2213-14	2214-15	2215-16	2216-17	2217-18	2218-19	2219-20	2220-21	2221-22	2222-23	2223-24	2224-25	2225-26	2226-27	2227-28	2228-29	2229-30	2230-31	2231-32	2232-33	2233-34	2234-35	2235-36	2236-37	2237-38	2238-39	2239-40	2240-41	2241-42	2242-43	2243-44	2244-45	2245-46	2246-47	2247-48	2248-49	2249-50	2250-51	2251-52	2252-53	2253-54	2254-55	2255-56	2256-57	2257-58	2258-59	2259-60	2260-61	2261-62	2262-63	2263-64	2264-65	2265-66	2266-67	2267-68	2268-69	2269-70	2270-71	2271-72	2272-73	2273-74	2274-75	2275-76	2276-77	2277-78	2278-79	2279-80	2280-81	2281-82	2282-83	2283-84	2284-85	2285-86	2286-87	2287-88	2288-89	2289-90	2290-91	2291-92	2292-93	2293-94	2294-95	2295-96	2296-97	2297-98	2298-99	2299-00	2300-01	2301-02	2302-03	2303-04	2304-05	2305-06	2306-07	2307-08	2308-09	2309-10	2310-11	2311-12	2312-13	2313-14	2314-15	2315-16	2316-17	2317-18	2318-19	2319-20	2320-21	2321-22	2322-23	2323-24	2324-25	2325-26	2326-27	2327-28	2328-29	2329-30	2330-31	2331-32	2332-33	2333-34	2334-35	2335-36	2336-37	2337-38	2338-39	2339-40	2340-41	2341-42	2342-43	2343-44	2344-45	2345-46	2346-47	2347-48	2348-49	2349-50	2350-51	2351-52	2352-53	2353-54	2354-55	2355-56	2356-57	2357-58	2358-59	2359-60	2360-61	2361-62	2362-63	2363-64	2364-65	2365-66	2366-67	2367-68	2368-69	2369-70	2370-71	2371-72	2372-73	2373-74	2374-75	2375-76	2376-77	2377-78	2378-79	2379-80	2380-81	2381-82	2382-83	2383-84	2384-85	2385-86	2386-87	2387-88	2388-89	2389-90	2390-91	2391-92	2392-93	2393-94	2394-95	2395-96	2396-97	2397-98	2398-99	2399-00	2400-01	2401-02	2402-03	2403-04	2404-05	2405-06	2406-07	2407-08	2408-09	2409-10	2410-11	2411-12	2412-13	2413-14	2414-15	2415-16	2416-17	2417-18	2418-19	2419-20	2420-21	2421-22	2422-23	2423-24	2424-25	2425-26	2426-27	2427-28	2428-29	2429-30	2430-31	2431-32	2432-33	2433-34	2434-35	2435-36	2436-37	2437-38	2438-39	2439-40	2440-41	2441-42	2442-43	2443-44	2444-45	2445-46	2446-47	2447-48	2448-49	2449-50	2450-51	2451-52	2452-53	2453-54	2454-55	2455-56	2456-57	2457-58	2458-59	2459-60	2460-61	2461-62	2462-63	2463-64	2464-65	2465-66	2466-67	2467-68	2468-69	2469-70	2470-71	2471-72	2472-73	2473-74	2474-75	2475-76	2476-77	2477-78	2478-79	2479-80	2480-81	2481-82	2482-83	2483-84	2484-85	2485-86	2486-87	2487-88	2488-89	2489-90	2490-91	2491-92	2492-93	2493-94	2494-95	2495-96	2496-97	2497-98	2498-99	2499-00	2500-01	2501-02	2502-03	2503-04	2504-05	2505-06	2506-07	2507-08	2508-09	2509-10	2510-11	2511-12	2512-13	2513-14	2514-15	2515-16	2516-17	2517-18	2518-19	2519-20	2520-21	2521-22	2522-23	2523-24	2524-25	2525-26	2526-27	2527-28	2528-29	2529-30	2530-31	2531-32	2532-33	2533-34	2534-35	2535-36	2536-37	2537-38	2538-39	2539-40	2540-41	2541-42	2542-43	2543-44	2544-45	2545-46	2546-47	2547-48	2548-49	2549-50	2550-51	2551-52	2552-53	2553-54	2554-55	2555-56	2556-57	2557-58	2558-59	2559-60	2560-61	2561-62	2562-63	2563-64	2564-65	2565-66	2566-67	2567-68	2568-69	2569-70	2570-71	2571-72	2572-73	2573-74	2574-75	2575-76	2576-77	2577-78	2578-79	2579-80	2580-81	2581-82	2582-83	2583-84	2584-85	2585-86	2586-87	2587-88	2588-89	2589-90	2590-91	2591-92	2592-93	2593-94	2594-95	2595-96	2596-97	2597-98	2598-99	2599-00	2600-01	2601-02	2602-03	2603-04	2604-05	2605-06	2606-07	2607-08	2608-09	2609-10	2610-11	2611-12	2612-13	2613-14	2614-15	2615-16	2616-17	2617-18	2618-19	2619-20	2620-21	2621-22	2622-23	2623-24	2624-25	2625-26	2626-27	2627-28	2628-29	2629-30	2630-31	2631-32	2632-33	2633-34	2634-35	2635-36	2636-37	2637-38	2638-39	2639-40	2640-41	2641-42	2642-43	2643-44	2644-45	2645-46	2646-47	2647-48	2648-49	2649-50	2650-51	2651-52	2652-53	2653-54	2654-55	2655-56	2656-57	2657-58	2658-59	2659-60	2660-61	2661-62	2662-63	2663-64	2664-65	2665-66	2666-67	2667-68	2668-69	2669-70	2670-71	2671-72	2672-73	2673-74	2674-75	2675-76	2676-77	2677-78	2678-79	2679-80	2680-81	2681-82	2682-83	2683-84	2684-85	2685-86	2686-87	2687-88	2688-89	2689-90	2690-91	2691-92	2692-93	2693-94	2694-95	2695-96	2696-97	2697-98	2698-99	2699-00	2700-01	2701-02	2702-03	2703-04	2704-05	2705-06	2706-07	2707-08	2708-09	2709-10	2710-11	2711-12	2712-13	2713-14	2714-15	2715-16	2716-17	2717-18	2718-19	2719-20	2720-21	2721-22	2722-23	2723-24	2724-25	2725-26	2726-27	2727-28	2728-29	2729-30	2730-31	2731-32	2732-33	2733-34	2734-35	2735-36	2736-37	2737-38	2738-39	2739-40	2740-41	2741-42	2742-43	2743-44	2744-45	2745-46	2746-47	2747-48	2748-49	2749-50	2750-51	2751-52	2752-53	2753-54	2754-55	2755-56	2756-57	2757-58	2758-59	2759-60	2760-61	2761-62	2762-63	2763-64	2764-65	2765-66	2766-67	2767-68	2768-69	2769-70	2770-71	2771-72	2772-73	2773-74	2774-75	2775-76	2776-77	2777-78	2778-79	2779-80	2780-81	2781-82	2782-83	2783-84	2784-85	2785-86	2786-87	2787-88	2788-89	2789-90	2790-91	2791-92	2792-93	2793-94	2794-95	2795-96	2796-97	2797-98	2798-99	2799-00	2800-01	2801-02	2802-03	2803-04	2804-05	2805-06	2806-07	2807-08	2808-09	2809-10	2810-11	2811-12	2812-13	2813-14	2814-15	2815-16	2816-17	2817-18	2818-19	2819-20	2820-21	2821-22	2822-23	2823-24	2824-25	2825-26	2826-27	2827-28	2828-29	2829-30	2830-31	2831-32	2832-33	2833-34	2834-35	2835-36	2836-37	2837-38	2838-39	2839-40	2840-41	2841-42	2842-43	2843-44	2844-45	2845-46	2846-47	2847-48	2848-49	2849-50	2850-51	2851-52	2852-53	2853-54	2854-55	2855-56	2856-57	2857-58	2858-59	2859-60	2860-61	2861-62	2862-63	2863-64	2864-65	2865-66	2866-67	2867-68	2868-69	2869-70	2870-71	2871-72	2872-73	2873-74	2874-75	2875-76	2876-77	2877-78	2878-79	2879-80	2880-81	2881-82	2882-83	2883-84	2884-85	2885-86	2886-87	2887-88	2888-89	2889-90	2890-91	2891-92	2892-93	2893-94	2894-95	2895-96	2896-97	2897-98	2898-99	2899-00	2900-01	2901-02	2902-03	2903-04	2904-05	2905-06	2906-07	2907-08	2908-09	2909-10	2910-11	2911-12	2912-13	2913-14	2914-15	2915-16	2916-17	2917-18	2918-19	2919-20	2920-21	2921-22	2922-23	2923-24	2924-25	2925-26	2926-27	2927-28	2928-29	2929-30	2930-31	2931-32	2932-33	2933-34	2934-35	2935-36	2936-37	2937-38	2938-39	2939-40	2940-41	2941-42	2942-43	2943-44	2944-45	2945-46	2946-47	2947-48	2948-49	2949-50	2950-51	2951-52	2952-53	2953-54	2954-55	2955-56	2956-57	2957-58	2958-59	2959-60	2960-61	2961-62	2962-63	2963-64	2964-65	2965-66	2966-67	2967-68	2968-69	2969-70	2970-71	2971-72	2972-73	2973-74	2974-75	2975-76	2976-77	2977-78	2978-79	2979-80	2980-81	2981-82	2982-83	2983-84	2984-85	2985-86	2986-87	2987-88	2988-89	2989-90	2990-91	2991-92	2992-93	2993-94	2994-95	2995-96	2996-97	2997-98	2998-99	2999-00	3000-01	3001-02	3002-03	3003-04	3004-05	3005-06	3006-07	3007-08	3008-09	3009-10	3010-11	3011-12	3012-13	3013-14	3014-15	3015-16	3016-17	3017-18	3018-19	3019-20	3020-21	3021-2
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Bankers Trust Securities Corp.			
Bankers Trust Sec. Inc.	71.90	70.00	245.45
Bank of Montreal	67.00	65.00	245.45
Bank of New York	71.00	69.00	245.45
Bank of Scotland Int'l. Inc.	71.00	69.00	245.45
Bank of Tokyo-Mitsubishi	71.00	69.00	245.45
Bank of America	71.00	69.00	245.45
Bank of China	71.00	69.00	245.45
Bank of India	71.00	69.00	245.45
Bank of Japan	71.00	69.00	245.45
Bank of Korea	71.00	69.00	245.45
Bank of London	71.00	69.00	245.45
Bank of Mexico	71.00	69.00	245.45
Bank of New Zealand	71.00	69.00	245.45
Bank of Paris	71.00	69.00	245.45
Bank of Rome	71.00	69.00	245.45
Bank of Spain	71.00	69.00	245.45
Bank of Sweden	71.00	69.00	245.45
Bank of Switzerland	71.00	69.00	245.45
Bank of Taiwan	71.00	69.00	245.45
Bank of Thailand	71.00	69.00	245.45
Bank of the South Atlantic	71.00	69.00	245.45
Bank of the West	71.00	69.00	245.45
Bank of the Americas	71.00	69.00	245.45
Bank of the Caribbean	71.00	69.00	245.45
Bank of the Middle East	71.00	69.00	245.45
Bank of the Pacific	71.00	69.00	245.45
Bank of the South Sea	71.00	69.00	245.45
Bank of the East	71.00	69.00	245.45
Bank of the North	71.00	69.00	245.45
Bank of the West Indies	71.00	69.00	245.45
Bank of the South Pacific	71.00	69.00	245.45
Bank of the East Indies	71.00	69.00	245.45
Bank of the South China	71.00	69.00	245.45
Bank of the South East	71.00	69.00	245.45
Bank of the South West	71.00	69.00	245.45
Bank of the South North	71.00	69.00	245.45
Bank of the South South	71.00	69.00	245.45
Bank of the South East	71.00	69.00	245.45
Bank of the South West	71.00	69.00	245.45
Bank of the South North	71.00	69.00	245.45
Bank of the South South	71.00	69.00	245.45
Bank of the South East	71.00	69.00	245.45
Bank of the South West	71.00	69.00	245.45
Bank of the South North	71.00	69.00	245.45
Bank of the South South	71.00	69.00	245.45
Bank of the South East	71.00	69.00	245.45
Bank of the South West	71.00	69.00	245.45
Bank of the South North	71.00	69.00	245.45
Bank of the South South	71.00	69.00	245.45
Bank of the South East	71.00	69.00	245.45
Bank of the South West	71.00	69.00	245.45
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two places where they appear.

Paragraph 5 of the two referenced instruments by the words "time of exercise direct") and in the second ("valuation Regulations"), sub-paragraph 1 so that it reads as follows:

"and, time note, share, stock, debt or other investment or security whose value shall be determined as at the time of exercise (or if no Valuation Notice (or if there has been no notice) in the stock exchange that is not reported by any means in connection with the transaction, the market price at the time when the transaction or unusual circumstances occur.")

The instrument considers that such price may substitute such figure as is substituted.

In Regulations Subparagraph 1(b), "exercise" and replacement by the word "exercise" composed by the Articles of Incorporation by US persons or of shares representing percent (3%) of the outstanding shares of the corporation may attend and vote and vote. Such proxy need not be given.

a of the Adjourned General Meeting of the shareholders present or represented by proxy.

the Corporation of the Extraordinary General Meeting of the Corporation on February 15, 1995.

present or represented out of business on February 14, 1995.

Directors

**ty**  **Inves**

[illegible][illegible][illegible]

to "close of business" and valuation (as the Board of directors by the words of paragraph B(ii) of article 24 of the Charter of the Corporation) shall be listed or dealt with at the time of valuation (as the Board of directors by the words of the Charter) at the closing bid price in the principal market on use, or, if the Board so valuation is carried out, or regarding trading of such securities does not reflect the fair value in its opinion represents the fair value of the securities.

F (a), F (b) and F (c) of the Charter of the Corporation of the Fund with respect to the "time of valuation" of the securities which constitute in the Charter of the Fund, each share is to be at the meeting or may be at the meeting or may be a shareholder of the Corporation.

Meeting will be adopted if the meeting is held at the time of a lack of quorum as of 209,168.41 outstanding

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**NOTICE OF ADJOURNED EXTRAORDINARY GENERAL MEETING**

## AGENDA

- Subject to the limitations imposed by the Articles of Incorporation of the Fund with regard to ownership of shares by US persons or of shares which constitute in the aggregate more than three percent (3%) of the outstanding shares, each share is entitled to one vote. A shareholder may attend and vote at the meeting or may appoint a proxy to attend and vote. Such proxy need not be a shareholder of the Fund.

This meeting is an adjournment of the Extraordinary General Meeting held at the registered office of the Corporation on February 15, 1995 due to a lack of quorum as only 6,626.47 shares were present or represented out of 209,168.41 outstanding shares as at the close of business on February 14, 1995.

**Fidelity Investments**



**FT MANAGED FUNDS SERVICE**

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## Money Market Bank Accounts

## MANAGEMENT SERVICES

# PURE INVESTMENT.

# Investment

(NO ADDITIVES.)

February sees the launch of Investment Adviser, a brand new weekly newspaper exclusively for investment professionals. However, there's much you'll find familiar, such as the instinctive authority and insight of the Financial Times. You may also recognise the international scope of its journalism - something only a publication that draws upon the worldwide resources of the FT can provide. Not least, you'll find the investment tips and gossip that move markets. Which fund managers are investing where. Who's moving to whom. And for how much ("How much!"). It all adds up to Investment Adviser becoming the indispensable weekly, pure and simple. To ensure you are on the distribution list, fax your details to us on 0171 242 2439.





## UNITED STATES (Mar 3 / US)

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# Referrals

**1995**

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<b>Dave Jones</b>	<b>Mrs.</b>
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**INVESTMENT TRUSTS - Con**

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**By Robert Graham in Rome**

Italy's rightwing political government headed by Mr Silvio Berlusconi, the former prime minister, yesterday dramatically reversed a number of policies to support the mini-budget planned by the government of Mr Lamberto Dini, his successor.

Within minutes the lira fell almost 15 points against the D-Mark, touching an historic low of L1,170, and government bond prices fell sharply. The spread between the yield on 10-year Italian and German government bonds, which was 4.5 percentage points in December, widened to 6 points as investors demanded higher returns to compensate for the perceived risk of investing in Italy.

On Wednesday, after almost a week's indecision, Mr. Berlusconi's coalition had declared it would back the L20,000bn (\$12.3bn) package of budgetary measures, largely tax increases. Berlusconi is essentially bringing the 1995 budget package to the fore. Berlusconi's administration under whom Mr. Dini served as treasury minister - within its targeted deficit of 8 per cent of gross domestic product.

Mr. Berlusconi's coalition also stipulated that Mr. Dini must introduce his promised reform of state pensions within a matter of weeks by assuming special legislative powers. This would mean bypassing any discussion with parliament. By thus speeding up the process, it would

allow general election to be held in June, which Mr Berlusconi had demanded.

Yesterday Mr Dini refused openly to endorse this approach in discussing the mini-budget before the Senate. His refusal was criticised by Mr Berlusconi and his allies as a move to sustain the life of the current parliament and ignore their request for June elections. This then appeared to trigger their aggressive response.

At a meeting of the Berlusconi coalition issued an exceptionally tough communiqué which not only attacked Mr Dini's administration as betraying the popular will but criticised the failure of the social pact, saying that, unless heavy raising taxes.

By doing this, Mr Berlusconi appeared determined to provoke a general election as soon as possible, regardless of the consequences on the financial markets. Since he was forced from office last December, Mr Berlusconi has pressed for a constitutional referendum that has demanded a year deadline.

The Dini government, composed of non-parliamentarians, will find it hard to carry through its limited mandate against the hostility of the opposition and the allies. There is due to be a vote on the mini-budget in the Senate on Tuesday and in the chamber of deputies on Thursday, leaving little time for negotiation.

The key vote will be in the Senate, where Mr Berlusconi has never had a clear majority since he took office in January.

## Continued from Page 1

tial for an "avalanche" of dollar sales if US asset markets started to wobble. And, in fact, the central banks appeared more concerned about the paces of the dollar's fall, rather than its level.

The scale of the central bank support appeared fairly modest. New York traders estimated that the Federal Reserve had spent about \$700m-\$900m by midday in New York, with an additional \$1bn to \$1.5bn support from Europe.

Mr Robert Rubin, the US treasury secretary, waited for more than two hours after US markets opened before issuing a statement saying "a strong dollar is in our national interest".

Earlier, Mr Hans Tietmeyer, the Bundesbank president, indicated that the German central bank bought dollars in support of the Federal Reserve and because it "was not interested in excessive currency fluctuations".

However Mr Neil MacKinnon, chief economist at Citibank in London, said: "The Bundesbank's role today was purely a token political gesture."

**By Leslie Crawford  
in Mexico City**

Mr Carlos Salinas de Gortari, Mexico's former president, began a hunger strike yesterday in an attempt to absolve himself from accusations of bumping economic policy and of obstructing an investigation into the murder last March of the ruling party's presidential candidate.

The hunger strike, which follows the arrest on most charges of his close adviser on economic issues, has earned Mr Salinas a new nickname in Mexico: *Gandhinhas*. He even bears a passing resemblance to the late Mahatma Gandhi, although it is doubtful whether the Indian leader would have fasted to defend the parity of the rupee.

"It is a question of personal honour to have these matters cleared up," Salinas said in a late-night telephone call to a television station on Thursday.

"I ask [the present government] to acknowledge the error committed in devaluing the peso

In December . . . and the independence of the special inquiries.

"For the truth to be known, I am willing to sacrifice the most valuable thing I possess - my life."

Until he pulled out this week, Mr Salinas was a candidate to head the new World Trade Organisation, set up to oversee the world's trading system.

Friends of Mr Salinas say he decided to go on hunger strike after receiving discreet requests from President Ernesto Zedillo's government to leave the country.

They say Mr Salinas is devastated by the arrest of his brother, Raúl, on charges of masterminding the September 1985 assassination of Mr Jose Francisco Ruiz Maseu, the Institutional Revolutionary party's secretary-general.

He has also been wounded by accusations that the government he led until December 1 covered up the murder of the ruling party's presidential candidate, Mr Luis Donaldo Colosio, and that he deliberately ruled out an earlier devaluation of the currency

To protect his prestige and land the WTO job.

Mr. Salinas broke all the unwritten rules of Mexican presidential successions this week by launching a vociferous campaign in defense of his tarnished reputation.

Instead of accepting the brunt of the blame for Mexico's economic debacle, and fading quietly into oblivion as former presidents have done before him, Mr. Salinas has chosen to go down fighting. Many believe he could yet drag Mr. Zedillo with him.

US President Bill Clinton yesterday backed Mr. Zedillo, saying at a White House news conference: "Mexico is moving in the right direction. Mexico plainly is moving in the direction of more democracy, more openness."

However, the financial markets continued to put pressure on the new president. The peso fell in afternoon trading to near its all-time lows at 6.325 to the dollar, from 6.025 at Thursday's close. The stock market was down 1.38 per cent.

## Continued from Page 1

at the Bank of England established after the Japanese inquiry into the collapse of the Bank of Credit and Commerce International, to conduct inquiries.

The Bank said the board had asked for an initial fact-finding investigation of Barings offices in London, Singapore, Osaka and Tokyo, and would then be conducted in co-operation with international supervisors.

It said the board had asked for the fact-finding stage "to be completed as quickly as possible". The board would then go on "to consider urgently the implications for supervisory and regulatory arrangements."

With main opposition parties stepped up pressure for a fully independent inquiry capable of

## Continued from Page 1

Prevention of Cruelty to animals welcomed the Council's "The mood of parliament has obviously changed dramatically on this issue. It is now just a matter of time before wild animals get full protection under the law."

However, that victory may be some time off. Supporters of field sports are still mounting opposition to the bill when it comes to committee. Bills put forward by individual MPs are always vulnerable to being talked out by filibustering opponents.

Dr Charles Goodwin-Wickes, a Conservative MP and chairman of the British Field Sports Society, says that he has already drawn tactics opponents intend to use. But he warned: "The bill will be vigorously objected to. It will

not become law." To avoid failure at the committee stage, Mr McNeill is to ask the government to take over the legislation - a move that would probably guarantee its passage.

However, this was ruled out by Mr John Major, the prime minister, on Thursday. Hunting was a matter for individual conscience and the government would remain neutral, he said.

Mr McNeill's bill is thus likely to fail. However, with yesterday's vote indicating a change of attitude among MPs, the issue is not going to disappear. Labour MP Mr Tony Banks, an animal rights supporter, warned the prime minister: "We will never go away. Our determination is absolute. It is stronger than those who support this sport."

## Firewalls, not fire-sales

A regime of neglect and sloppy management are clear culprits in the Barings saga. The question is whether sleepy regulators should be added to the list. After all, the argument runs, regulators were responsible for vetting Barings' control systems; and if they did not do so, they were negligent. In a sense, that is true. But it is also true, as the quote, they were failing in their jobs.

The Bank of England and other regulators have tough questions to answer. And it is a shame the body investigating what went wrong will exclude three Bank of England directors, who are still not too late for British government to task up a fully independent investigation, as it did when BCCI went bust.

Still it would be a mistake to think footloose banking regulation is possible or desirable. Even the extreme solution of putting a regulator by every trading desk throughout the world would not guarantee that no one would do what we should do in the financial markets in knots.

The whole saga must also be kept in perspective. Barings' bankruptcy has not caused a domino collapse, though other merchant banks may find it harder to raise funds on as good terms. The fact that the market has bought the wreckage for \$2, it is possible depositors will not lose out either.

On the other hand, one cannot help having a queasy feeling. Depositors could still be damaged. And what if Barings had been a trading bank? The bank had been 10 times larger? One cannot really view that prospect with equanimity. The hope must be that Barings' collapse leads to regulatory changes that keep such a risk

within acceptable limits. The most promising answer is to erect firewalls to stop losses from a bank's trading arm dragging down the rest of the group. In Barings' case, if Mr Nick Leeson had merely run up massive trading losses the group might have been able to let his operation go bust. The problem was the bank forwarded hundreds of millions of pounds to pay the margin calls on his futures contracts. Barings' asset management arm was also contaminated because it had money on deposit.

A starting point would be to prevent banks lending large amounts of money to their trading arms. The existing rules limiting a bank's lending to a single counterparty to more than a quarter of its capital should be extended clearly to cover in-house securities arms. There is also a case for limiting the proportion of a fund

**FT-SE Eurotrack 200:  
1991.1 (-7.7)**

**Argentine Brady bonds**

Relative to JP Morgan emerging markets index

115  
110  
105  
100  
95

Apr 1989 1994 1995

Source: Datastream

management group's investments that can be deposited with a single bank through a single compelling. Exactly how to erect such firewalls is currently a hot topic of debate in the US. Given plans to repeal the Glass-Steagall Act which prevents commercial banks owning securities houses.

Such firewalls would, of course, have costs. The biggest is that the securities arms of commercial banks would face higher costs of capital, since they would no longer be able to trade on their parents' credit ratings, but one can argue that they would have good ratings is that most governments implicitly guarantee their largest banks. If erecting firewalls means banks could not draw on subsidised capital to engage in high-risk trading that would be no bad thing.

## Currencies

Nothing is more futile than central banks intervening when the fundamental forces are against them. True, intervention can prove effective, as was demonstrated last autumn. But that success was because US interest rates were rising, the Republicans had conquered Congress, and Galt had just been ratified.

This time there is little to support the dollar: efforts to balance the US budget have been botched, US interest rates are seen as topping out while German rates are bottoming, and Japanese institutions continue to dispose of dollar assets as they struggle with stuttering economic growth. The dollar's weakness is exacerbated by the D-Mark's strength. That is underpinned by the political turmoil elsewhere in Europe, best exemplified by yester-

## Argentina

Argentina should avoid Mexico's fate, despite the gathering storm clouds. With a current account deficit of about 4 per cent of gross domestic product, its economic fundamentals are far better than Mexico's. But the outflow of funds prompted by the Mexican crisis is straining the banking system's liquidity. One company's failure to pay interest on its commercial paper debt last week has fuelled fears that a spate of corporate defaults could cause a banking crisis.

The crucial question in Argentina is whether the currency's convertibility can be maintained. The government does not lack determination. It is prepared to pay the price of soaring overnight rates, which exceeded 50 per cent on Friday, and may call on the last tranche of its international borrowing to meet the loss. The government should be able to stave off devaluation, even if it means exchanging pesos for dollars on a massive scale.

Nevertheless, despite this week's sharp declines, Argentina's bond and stock markets are not good value. The stellar performance of emerging markets until last year depended on heavy foreign investment, which was attracted by managers and then from mainstream institutions. But the Mexican debacle has prompted the US mutual fund industry to slash asset allocation to emerging markets. High short-term rates may force local banks to liquidate their own holdings, further pushing down prices. With privatisation revenues dropping and interest rates rising, the government's budget is due, the benefits of the huge influx of foreign capital at the start of the decade have suddenly evaporated.

**FT WEATHER GUIDE**

## British Isles

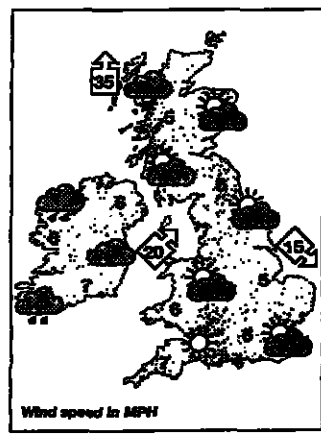
A ridge or high pressure will bring some sunny spells to Ireland in the morning and to the UK during the afternoon. Following this, a frontal zone, associated with a depression south-west of Ireland, will bring rain to western Ireland in the afternoon. North-west Scotland will have southerly winds up to gale force, while over the North Sea there will be moderate north-westerly winds. Temperatures will range from 3C in northern Scotland to 7C in the south-west.

## Continent

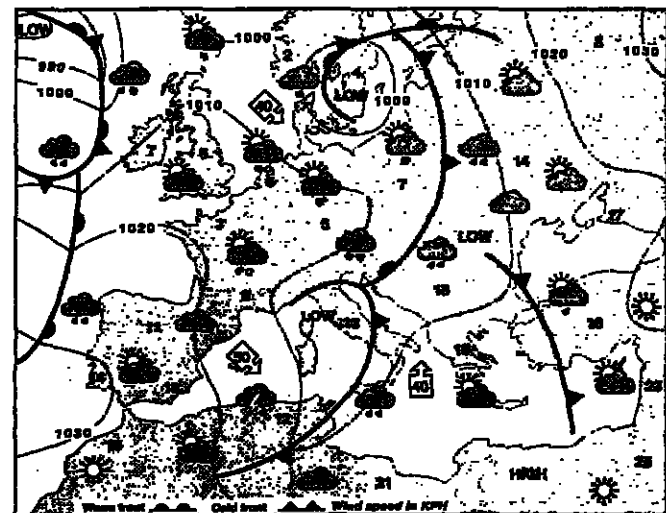
The vigorous depression which brought snow to the UK on Friday, will weaken as it moves into southern Sweden. As a result, Sweden and Finland can expect cloud and some snow. The UK, the Benelux and northern Germany will have sunny spells interspersed with showers. North-western areas of the continent might have showers mixed with hail or snow and France could have some hail. Italy and north-west Spain will have rain. North-eastern Algeria can expect showers, some thundery. The Alps, southern Italy and eastern Europe will have cloud and outbreaks of rain.


### Five-day forecast

A low pressure system along the boundary between sub-tropical air and polar air will track southwards, bringing unsettled conditions to the Mediterranean. Polar air will support near-seasonal temperatures and bring wintry showers at times to north-western Europe. More arctic air will move into northern Europe.



**Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteor Consult of the Netherlands**

[illegible]



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# Weekend FT



## The last days of the meat trade

Alan Clark believes the animal welfare issue has gained such momentum that big business would do well to listen

Until recently, the subject of animal welfare (I deliberately eschew the term rights, although I believe human beings do have obligations towards other forms of life) fell into two parts.

In one was the contentious topic of "blood sports": a high profile dispute symbolic of class war, town versus country, violence in contention with pageantry.

It was here that publicity could be guaranteed, that the battle lines were clearly set out, and that argument was polluted - as, predictably and for the umpteenth time in the House of Commons yesterday - by every possible cliché and distortion.

In the other sector were a few slightly dotty people who objected to factory farming, experiments and vivisection. But in the last few months it is to this side of the movement that the whole centre of gravity has shifted.

Any popular protest which,

in so short a time, can compel the main shipping companies and the food retailers to change established commercial policy has to be taken seriously - and this applies as much to politicians as it does to management in the industries affected.

The way that both have reacted is instructive, and predictable. The main commercial players, from P&O to Tesco, have moved smoothly and effectively to retain the support of an unquantifiable though significant number of their customers. P&O led the way by refusing to carry live-stock trailers on its vessels. All the other passenger ferries followed suit.

Tesco, with commendable promptness, stopped stocking white Dutch veal and the majority of supermarkets have since adapted their own buying policies.

(I say "commendable", not as an advocate for the cause of animal welfare, but as a shareholder. Where there are choices available to "load" the

balance of a portfolio, most fund managers will try and stay away from companies which have an image disturbed by controversy. Ratners, Benetton, even the Valdez blip in the Exxon share price are examples of what can happen when an enterprise gets tagged as "insensitive".)

But the politicians are modulated by this extension of the dispute out of the familiar terrain of pro and anti blood sport.

Plainly there are votes here - but how can they be garnered? Who are these protesters? What is their "natural" constituency?

They seem to have no leader, no organising committee, not even a press officer. And yet they are capable of mounting demonstrations in five widely separated parts of the kingdom simultaneously. Plymouth, Shoreham, Brightlingsea, Coventry and Swansea have all, sometimes on the same day, needed extravagant, and highly unpopular, diversions of police resources.

This is heavy "people power". And it is getting results by a route quite separate from the traditional House of Commons procedures. All very unsettling.

So far, ministers' reaction

**Marked changes will be imposed on the agriculture industry, with economic, even fiscal, implications**

has been simply to stay below the parapet. Policy has not even been reactive - other than the fatuous plea to "demonstrate not here but in Brussels", to which the very proper response came "that's what you're paid to do."

More just hope the whole

thing will soon die down, and this may well happen - it is almost impossible for ordinary law-abiding folk to sustain attendance on this scale indefinitely. Dreadful weather and police baton charges they can cope with.

But, in the end, the sheer pressure of work schedules and family obligation is likely to reduce their number.

Spontaneity of this dimension, however, does indicate very deep roots in the public conscience.

It is the expression of an accumulating distaste for factory farming and environmental pollution. It motivates vegetarians, whose practitioners are growing at a compound rate and have lately enjoyed the endorsement of being termed "unnatural" both by members of the cabinet and back-benchers in the House of Commons.

And an awareness of the level of cruelty and squalor inseparable from "the meat trade" have, with the advent of the hand-held video camera,

been brought to a far wider audience.

It is my own belief that the resolution of this contentious issue can only take one form. There are going to be marked changes imposed - by force of circumstance more likely than by compulsion of statute - on the agriculture industry.

This will have economic, even fiscal, implications. Those involved would be well-advised to start now in anticipating, and preparing their adaptation.

Profound questions of attitude and philosophy are also raised, central to man's relations with other living forces on the planet - and to the obligations we have to our children and those as yet unborn.

The question as to whether that "dominion", conferred by God upon man at the creation, implies a right to exploit and

maltreat entirely at man's convenience; or whether it was the intention to confer a duty of care on all living creatures, consistent only with ensuring his own survival, may well be simply a matter of alternative Hebraic translation.

In any case, it is, although convenient for some, hardly binding on even the most devout unless they are ready to swallow whole the entire volume of admonition in the Book of Genesis - a diet on which these days even the most fundamentalist Christian would surely choke.

The counter-attack is now running strongly. The progressive and the conservative establishments both feel threatened, and are jointly disconcerted, although from

Continued on Page IV

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**NEXT WEEK**  
The secret cabal which runs Europe



Joe Rogaly

## A safer, nuclear Titanic

The huge Antarctic iceberg spells doom for all of us unless...

Quite possibly the most significant news item of the week was the one about the giant iceberg. You missed it? Difficult to believe. Some 500 cubic kilometres, a chunk of the frozen stuff the size of, shall we say, New York City, snapped off the Antarctic peninsula. Sit still. This could be important. It might be a "buy" signal for putative investors in nuclear power. It certainly will be that if the news is flaunted in support of the proposition that the earth is getting warmer as the smoke rises from fossil fuels. The connection is clear. Coal and car exhausts throw a blanket of carbon dioxide around the earth. Atomic power stations do not.

Some inhabitants of the northern hemisphere may find the idea of global warming difficult to grasp in the first shivery days of March, but that is to take a short-term view. We nuclear greens prefer to think about average annual temperatures of the planet's atmosphere, plotted on graphs that stretch backwards and forwards for half-centuries. Plenty of ice can break up in such a time-span. Some of it could turn to water, raising sea-levels, and steadily eating away at the edges of the six continents. If there is such a melt-down, our great-grandchildren will wish we had

taken warnings of climate change more seriously.

Wait a minute. Surely this was all settled in 1982, at the Rio conference on the environment? So it was, if the avoidance of tough decisions can be called a settlement. The assembled delegates nobly undertook to curb emissions of CO<sub>2</sub>, but little of real use has been done about it since. The scientific argument is simply not scary enough. When it is, governments act. Aerosol sprays using chlorofluorocarbons are being phased out, because people are afraid that they will get cancer from the sun's rays if the ozone layer is thinned. The action point on that particular curve of fear was reached nearly 10 years ago.

The CO<sub>2</sub> horror movie is not yet made. The threat of global warming is not universally accepted. Catastrophe is by no means imminent. On the most alarming predictions, the damage will not begin to be felt until the middle of the next century. The most serious harm comes much later.

You need a real frightener to shift people out of their motor cars. They will have to be terrified out of their wits before they will use less electricity. The huge chunk of ice falling off the Larsen shelf in Antarctica might be the beginning of the build-up of the necessary nervous tension, but I

fear that it is too remote from everyday experience to do the trick. Even if it does start a movement up a new slope of fear the action point probably lies somewhere in the next century.

That is just as well, because the lead-in time for nuclear power stations is long, while, post-Chernobyl, the industry's expectations are relatively modest. The Anglo-Americans

**You need a real frightener to shift people out of their motor cars**

have virtually stopped building reactors on home territory, although they have high hopes of selling them in China, Korea, Taiwan, Japan, Indonesia, and all over Asia.

In Britain the government keeps postponing completion of its "nuclear review". Its report, which is due at Easter and I guess could be published in May, will probably suggest keeping the uneconomic Magnox reactors and parts of British Nuclear Fuels in the public sector. That would leave room to prepare the jutting bits of both BNFL and Nuclear Elec-

tric for privatisation.

The chances are that hard decisions will be postponed until after the next election. Privatisation would follow a Tory victory, but what of a Labour government? Nuclear Electric (NE) wants the Magnox capacity, currently about 8 per cent of British power generation, replaced by a new pressurised-water reactor, Sizewell C, alongside the B plant opened a couple of weeks ago. If - and it is a big if - the people's party accepts that, the closest it is likely to come to a market solution is for a state-owned NE partnership with the private sector.

It would be a courageous strategy. Powerful lobbying and street-campaigning organisations such as Greenpeace would put up strong objections. Their case is not easily dismissed.

Why, argues Greenpeace, confuse one environmental danger - global warming - with another - nuclear power? Atomic stations produce radioactive waste. Some stations blow up; others are in danger of doing so. The plutonium they turn out can only be used for weapons. As to cost, the world would need to build more than 5,000 reactors over the next 30 years to keep greenhouse gas emissions at the 1988 level.

Not all greens denounce atomic power. Last year the

nuclear forum, which speaks for the industry, published an interview with James Lovelock, author of the "Gaia" philosophy. That describes the earth as a living planet that eternally regulates itself. Humans may destroy their species; Gaia will go on its way. "I wouldn't in the least mind taking some high-level nuclear waste here at my home and using it for home heating," said professor Lovelock. "I am quite serious about this." He'd have been happy if Britain had been like France and gone more nuclear.

In an ideal world we would find indisputably harmless ways of reducing emissions of greenhouse gases. Europe and the US would use less power; conservation would be built in to the manufacturing processes of the emerging economies. Wave and solar power would be developed. Remote sites would be found for wind-farms. The car would somehow be tamed.

Parts of this dream may come true, as awareness of environmental damage takes root in the human psyche. It is unlikely that any of it will happen quickly or extensively. We are fated to burn fossil fuels on an increasing scale, diminished only by the nuclear capacity we can construct. There is no escape. That cracking sound is the thinning of the ice.

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## PERSPECTIVES

# How Islamist militants put Egypt on trial

Raymond Stock became part of a courtroom drama following the stabbing of an Arab Nobel prizewinner

It is a long drive from central Cairo to the former military aerodrome at Halkstep. It sits in the desert on the Ismailiyah Road, beyond the last high-rise buildings that mark the limits of greater Cairo. Dunes rise across the road from the base, dwarfing its walls. Special buses take visitors several kilometres from the main entrance to the shabby amphitheatre where the Military High Court meets.

These bleak surroundings have been the set for the extraordinary trial of the men accused of last October's murder attempt on writer, Naguib Mahfouz, the Arab world's first Nobel laureate in literature. Halkstep has become one of the main battlefields in the Egyptian government's war against Islamist militants, which has claimed more than 640 lives in the last three years. During this period, the authorities have used military tribunals to prosecute civilians accused of terrorism after ordinary courts failed to produce results. Trials and punishments have been swift. The case of those accused of trying to kill Mahfouz, who was stabbed twice in the neck outside his Cairo home on October 14, was no exception.

When the six-week trial ended on January 10, two of the 16 defendants, who faced charges ranging from attempting to kill Mahfouz and plotting against the security of the state, to belonging to the illegal *al-Gamadah al-Islamiyah* (Islamic Group), were given death sentences. Two others received life imprisonment, nine received terms ranging from three to 15 years, and three were acquitted.

Unless President Hosni Mubarak intervenes, the two condemned men, Mohamed Nagi Mustafa, 21, an electrical appliance repairman convicted of the actual assault on Mahfouz, and Mohamed Khudayr al-Mahallawi, 24, a student, face execution by hanging. The murder three years ago of Farag Foda, a secularist writer and friend of Mahfouz, marked a turn in the war - the killing of intellectuals. Mahfouz had aroused the militants' wrath with his 1989 novel *Awlad Haratina* (published in English as *Children of Gebelawi*).

Before the Halkstep trial, Nagi had confessed on television that he had stabbed Mahfouz in execution of a death sentence issued in a *fatwa* (religious legal opinion) by Shaykh Omar Abdel Rahman, now on trial on terrorism conspiracy charges in New York. In early 1989, shortly after Ayatollah Khomeini's *fatwa* against the author Salman Rushdie, Abdel Rahman condemned Mahfouz for his allegedly blasphemous *Gebelawi*. Abdel Rahman is said to have declared that if Mahfouz had been punished in 1989, Rushdie would never have published his *Satanic Verses* in 1988.

In spite of the threat, Mahfouz refused police protection. He proved, however, a difficult target. Even though he was 83 in December and sustained serious injuries in the attack,

Mahfouz survived the knife, which severely damaged two main blood vessels and the nerve which controls the right arm and hand.

That the nearly deaf-and-blind Mahfouz, who walks with a cane, suffers from sugar diabetes and a heart condition, even made it through the operation is a miracle, say his doctors. The impairment of his writing hand was the assailant's symbolic, if Pyrrhic, victory.

Ironically, Nagi, who claimed he had never read any of Mahfouz's work, had difficulty using his left arm during the trial, the result of a police bullet caught during his capture. His capture came quickly. The speed and range of arrests after the attack raised questions about whether this was just a case of rounding up "the usual suspects".

Yet the contradictory behaviour of the defendants before, during and after the trial, and the vagueness of some of the physical evidence, makes it even more difficult to assess their guilt. It is also typical of

**'What about Nagi?' his mother asked. 'Execution,' I whispered. She slapped her cheeks in despair.**

the bizarre, almost Alice in Wonderland-like conundrum that confronts anyone trying to make sense of events in Egypt.

The clues start the night before the attack. At 6.30pm on Thursday, October 13, Mahfouz's 63rd birthday, two men claiming to be admirers of the writer, bearing flowers and sweets, stopped at his apartment. Mahfouz's wife, Atiyah, told them that Naguib was not home; they could find him the next day at 5pm in his weekly *nadwah* (literary salon) at Casino Kasr el-Nil. The men, one dressed as a Gulf Arab, then left. Atiyah later told me, "They had funny-sounding accents for Gulf Arabs."

At 4.50pm on Friday, the novelist got into the red 1989 Fiat Regata in which Fathi Hashem, a pharmaceutical marketer, took him each week at the same time from his doorstep to the *nadwah*. An elegantly dressed young man approached from the footpath nearby. The affable Mahfouz, unable to see who it was, offered the vaguely human shape his hand through the open car window. Instead of shaking it, the presumed well-wisher stabbed Mahfouz twice in the neck.

Hashem chased the assailant but remembering the wounded Mahfouz, rushed back to his side. He pulled the knife from the writer's neck and threw it on the ground, where it was later recovered. Hashem then put his hand on Mahfouz's wound to stop the flow of blood, and backed his car up to

the hospital next door. Within moments, the stoic old novelist was in surgery.

With almost equal speed, government ministers were at his bedside and television crews in train. This turned the writer, who had avoided any overt political role all his life, from a symbol of Egypt's literary genius into an icon of victory in the struggle with the extremists.

The arrests came just as quickly. On Saturday, the main group of alleged conspirators were in custody after a raid on a coffee-house in the Cairo district of Ain Shams. Several, including Nagi and Mahallawi, were wounded. Their purported ringleader, Basim Khalil, reportedly died exchanging gunfire with security forces in the same raid.

During the next few days, dozens of people were said to have been held in a sweep for people thought involved - including several who had been extradited from neighbouring Arab states.

The handful of Egyptian journalists who covered the trial, the defendants, their lawyers and even a few security people had a name for the proceedings. They called it a *musrah*, a stage play. Everyone supposedly knew their part, and how things would turn out. And from the start there was an atmosphere of depressing theatrics and futile haggling in the courtroom.

The trial's opening on December 6 felt vaguely off-Broadway. The defendants, all bearded and with heads shaved, sat in their cages clad in thin, white cotton clothes against the cold. At their counsel's request, the chief judge called out to each defendant by his first name, asking what had happened to them in custody. Each then recited a list of injuries suffered during and after their apprehension.

The judge, in his brigadier's uniform, listened to the litany with politeness, adjourned the court, and left.

As he did so, a tumult began. Reporters and photographers rushed at the cages, and in a single movement, the defendants lifted their shirts to show the scars allegedly inflicted by the state.

Yet, defying predictions, the defence did not try to justify the crime by accusing Mahfouz of *kafir* (unbeliever), but instead tried to show that the defendants simply had no connection with the crime.

On the second day of the trial, when one stern-faced, bearded lawyer urged the court to seek the opinion of al-Azhar, Egypt's centre of Islamic orthodoxy, about Mahfouz as a Moslem, one of his colleagues shoved him aside. "We don't care whether Mahfouz is a *kafir* (unbeliever), or what-ever," said Yehia Kassem, a young man, whether he had his knife, Mahfouz, whether he thought him an unbeliever, and if he even had an opinion as to whether he was an unbeliever. "No," he replied to each question.

Later, I tried to test him more thoroughly. I told Nagi (whose name means "survivor" in Arabic) that I usually ride with Mahfouz and Hashem on



Two defendants charged with taking part in the failed assassination of Nobel prizewinner Naguib Mahfouz



The victim: author Naguib Mahfouz

Friday to the *nadwah*, in the same car in which the attack took place. On the day of the assault, I was in New York; had I returned to Egypt on schedule, I would likely have been in the car with them. Nagi blushed. "I didn't know anything about it until the next day," he blurted, eyes cast down in embarrassment.

Like all the defendants, Nagi claimed that he had been tortured. He told me that his television confession was done "under pressure", and that "there was someone behind me" prompting his responses to questions. Nagi said that he never met anyone from the

press before the trial. The chief physical evidence against Nagi was apparently a hand-print found on Hashem's car. Kassem said this did not show up in police tests until six weeks after the crime. Fathi Hashem, the chief witness, was never shown Nagi in person, but identified him from photographs. In court, Hashem said that he had only seen the upper half of the assailant's face.

In spite of defence demands for their appearance, neither Mahfouz nor his wife testified. Mahfouz, excused on health grounds, told prosecutors that he could not see who stabbed

him. The chief judge refused to ask Atiyah, who tentatively identified from photos both Nagi and Basim Khalil, the man killed in the October 15 raid, as the two men who visited their home the night before the attack, to come before the tribunal. There were powerful personal reasons for me at Halkstep. While getting to know the defendants and, to a lesser extent, their families, an awkward rapport developed between us. My status as a non-Moslem foreigner, who also had a close relationship with Mahfouz, did not seem to bother them. As an American,

they probably felt I offered a better channel for them to the outside world. On the day of judgement the chief judge simply read the verdicts and left - it was over in less than 10 minutes. Instantly dropping their apologetic poses, the prisoners shouted Islamist slogans. As I tried to reach Nagi, a group of defendants called out: "Raymond - tell Naguib Mahfouz that he has no place on earth. Tell him that by God and the Prophet, he is an unbeliever!" I replied sharply: "You denied all this during the trial."

As I got close to Nagi, he was talking to someone. When he looked my way, his face was affectionate. While I struggled to summon the words to ask him once again if he were truly guilty, and what he felt at the moment, a security man pulled me away. As I looked back over my shoulder, I could barely make Nagi out as the crowd was cleared away.

Back at the main entrance, we found the frightened families of the defendants. The principal defendant's mother spotted me. "What about Mohamed Nagi?" she asked. "Execution," I whispered. She slapped her cheeks in despair and ran away, wailing.

The trial at Halkstep may or may not have told us "whodunnit". After the attack on Mahfouz, there was much talk about a possible Algeria-like campaign to eliminate intellectuals that the Islamists con-

sider enemies of God. So far, this has not happened, although revenge killings after the executions are feared. And the surge in violence in Upper Egypt which followed the trial seemed unrelated to the events on the Ismailiyah Road.

Yet the war is now merciless. Al-Haq Ali Gadd al-Haq, the Shaykh of al-Azhar, said last month that the militants were false Moslems who "should be killed, or crucified, or have their hands and feet cut off", punishments not legal in Egypt. Meanwhile, state security forces have killed a number of alleged Islamist terrorists, some in questionable circumstances.

For their part, the militants, accusing the Mubarak regime of rampant corruption and of failing to establish an Islamic state, have murdered hundreds of policemen, soldiers and bystanders, harassed and killed members of the country's Coptic Christian minority, tried to assassinate the president and several government ministers, and shot foreign tourists. But the attack on Mahfouz proved a costly blunder for the militants in their campaign for the hearts and minds of Egyptians against the government.

As for Mahfouz, his life is changed utterly. Although his health is improving and his spirits good, his right arm may never be the same. When he ventures out of his home, now a fortress, he moves in an armed convoy. His friends joke nervously about all the guns, but their freedom of movement, taken for granted for 50 years, is gone.

When I briefed Mahfouz on the trial, his remarks were terse. "They know the law, and what they were doing, at the start," he said, stabbing the air with his weakened hand, his still-hoarse voice rising in anger. "Implementing the law requires no comment."

■ Raymond Stock is writing a biography of Naguib Mahfouz for Farrar, Straus & Giroux, Inc. Book Publishers in New York. He lives in Cairo.

Research shows that more than 5m people in the UK have moderate to severe hearing loss, and in the vast majority the problem arises in the inner ear or beyond. Moore's solution to the problems caused by inner ear damage is a hearing aid that filters and analyses sounds, amplifying only those that increase intelligibility. His lab, with the electronics companies Philips and Siemens, is part of a European consortium working to develop such a device. Filtering, analysing and amplifying sounds is now possible using DSP chips, but these are very bulky and consume too much power.

The size and power consumption of DSP chips is falling rapidly, so Moore hopes to have a usable prototype in about five years. Until then, for many people it is neck and neck in the race between the electronics industry and Santo Ovidio. ■ The author is professor of psychology at the University of Nottingham.

## The Nature of Things

# Hope for the hard of hearing

Andrew Derrington considers research into the next generation of hearing aids

In northern Portugal two years ago, I visited the shrine of Santo Ovidio, patron saint of the deaf. The saint's statue is surrounded by hundreds of wax model ears, left by people seeking miraculous cures for deafness.

We may feel that it is better to look for technological, rather than saintly, miracles. For some years we have had hearing aids that are small enough and light enough to be worn comfortably behind the ear. Unfortunately, the devices available, which just make sounds louder, do not always make them easier to hear.

Consequently, many people who are fitted with a hearing aid use it only for a short

while and then give up, according to Brian Moore of Cambridge University. Moore is working on a new generation of hearing aids that will use special computers called digital signal processors (DSPs) to transform sounds to make them more intelligible.

There are three problems with current hearing aids, according to Moore. First, deafness often only affects certain types of sound - for example high frequencies - so making all sounds louder will not improve intelligibility. High frequencies are crucial for understanding speech because they carry information about consonants. If a person cannot hear high frequencies, making the low fre-

quencies louder exacerbates the problem.

Second, when sounds vary in loudness, the wearer must keep adjusting the hearing aid volume control. Normally our ears seem to adjust miraculously to the prevailing level of sound.

Finally, the sounds we want to hear must often be picked out from a background of noises that we want to suppress. Amplifying all the sound with a hearing aid makes matters worse.

These problems are worst when deafness is caused by damage to the inner ear, where sounds are converted into electrical signals in nerve cells. Jonathan Astmore at Bristol University has shown

that one important reason for this is that the conversion process involves the operation of a biological miracle, an array of thousands of tiny motors that amplify selectively the sounds we want to hear.

The conversion of sound into electrical signals occurs in two stages. First, the sound vibrates a sheet of fibres called the basilar membrane. The fibres are like the strings in a piano: each one vibrates most to sound of a different frequency. Separating the sound frequencies in this way - or filtering - allows the brain to respond to different frequencies separately and so to analyse complex sounds such as speech.

The vibration of the basilar

membrane generates electric currents by bending the tips of hairs on special sensory cells. The effect of these electric currents on the hair cell depends where it sits on the basilar membrane fibres. Inner hair cells release chemical messengers that transmit signals into the brain, enabling us to hear. But in outer hair cells the electric current causes a motor in the hair cell to increase its length rapidly, magnifying the size of the vibration detected by inner hair cells.

The motor in the outer hair cell amplifies sound by about 100 times according to Ashmore. "It's like a piano string surrounded by treacle: the outer hair cell takes away the treacle." But because the outer

hair cell only takes the treacle off one string at a time it does not just make sounds louder, it also improves the separation between sounds of different frequencies.

The outer hair cell also acts as an automatic volume control, amplifying quiet sounds more than loud sounds.

The next step is to find out what molecules drive the hair cell motor, and what makes damaged outer hair cells die,

rather than regenerate. You start life with a fixed number of hair cells and gradually lose them as you get older.

Ageing is not the only cause of inner ear problems, Moore says. "Problems can arise as a result of a blow to the head, or exposure to excessive noise, solvents, infections or antibiotics."

A survey by Adrian Davis of the Medical Research Council's Institute for Hearing





## OUTDOORS

Gardening / Robin Lane Fox

# Spread mulch before the sun shines

The wet weather in Britain has put even the keenest of us behind schedule - it takes time to turn over the soil. This weekend is my annual turning point, the first of four in which I reassert control. Work done now cuts out twice as much in the summer; the key to it all is mulch.

Fair-weather gardeners fight shy of mulches because they sound too earthy and full of worms. They make a serious mistake, because mulches are not mysterious and save no end of toil.

A mulch is a weeder's best friend: a layer of rotted manure, decomposed leaves, bark, compost or anything porous and squishy. First, weed through your flower beds, removing all the perennial weeds you are not supposed to have. Then spread the mulch on the clean ground.

Like roof insulation, mulch is often recommended in unmanageable quantities. In mature flower beds, you cannot possibly put on the 9in depth of rotted waste which many books still advocate. Three inches is ample, and if you are mulching a new border

be sure to spread it before you plant. You can then scrape little clearings for each new plant, whereas you will fail to spread your dark blanket around each new plant if you have just trowelled them all into place.

Mulches do not arrive complete with a squirming mass of maggots. Worms, however, will help to pull them down into the topsoil and greatly improve the health, lifespan and roots of surrounding shrubs. At Sissinghurst, Kent, the former gardeners tell me, the old roses were found to have lived on new upper layers of roots made into the regular mulches applied during National Trust ownership. The original, lower roots were more or less dead.

If mulch is so good, where can you buy it cheaply? As so often, keen gardeners with half an acre or more are rottenly served by the market, squeezed out by large-scale farmers, the "professionals" and the urban gardener who wants to do the job in gloves. Beds in small front gardens can be covered twice over with a large retail pack of peat or chopped bark. But bags of bark from a garden centre would cost too much to cover a large garden ade-

quately. Of course, you should all make your own compost, but almost certainly you have failed to do so. I have been checking other options because two of my favourites are becoming politically incorrect.

The first has been scuppered by what might be called "Euro-septics". It used to be possible to spread sticky, liquid waste,

processed from family drains and tanks and delivered in bulk for sloppy top dressing. Admittedly it stunk, but not for long, and it soon dried. Processors listed under waste disposal in any Yellow Pages phone book would usually offer a helping out to private, country gardens.

Under EU rules, however, liquid waste has to be ploughed into the ground within 24 hours and only used by commercial sources. In China, people collect "right soil" and spread it from their bicycle baskets; in Europe processed droppings are controlled by "Euroseptic" regulations.

My second option links up to the sporting network through a hunter-humous loop. What goes into the hunting horses in the autumn goes on to the garden in March.

This loop is not available to saboteurs or antis. It is ecologically impeccable, but its political future is at risk and so I have begun to cast the network more widely.

Prospects ought to be excellent. Natural waste management is in high public favour; local councils retain recycling officers; even their roadside grass-cuttings are put out to tender with providers who will truck it to amenity disposal centres, exposed to natural wind.

How can larger gardens link up to this activity? It is still a matter of local ingenuity and enterprise. Your friendly recycling officer at the town hall may be willing to strike a deal and let you bag it. Retail markets are still wedded to bagged peat and behave as if



none of us has a garden bigger than a yard.

Privatised tip-managers have more to offer. I have just visited two ambitious gardeners in Northamptonshire who are running their historic garden on recycled greens from Milton Keynes.

Gardeners in the south of England might like to contact Anne Riding, recycling manager at Shanks and McEwan. The organisation returns recycled greens to council amenity centres, which resell it for about £4 per 60-litre bag. They

will also consider deliveries of larger loads, at up to £14 per cubic foot, within the area of an active depot. She is available at Woodside House, Church Road, Woburn Sands, Bucks (fax: 01908-352236).

If you think you are a potential provider with waste worth upgrading, contact David Border at the Complete Composting Consultancy, tel: 01480-466177. He can advise on management and potential.

Another idea for obtaining mulch is to try a mushroom farm, riding stables or animal

sanctuary. London's Chelsea Physic Garden makes good use of droppings from the small zoo in Battersea Park. I know London sloanes who have mulch links with Knightsbridge Barbers.

Mushroom growers listed in Yellow Pages are usually helpful, but be warned, their compost is alkaline and often thick with chalk. It is unsuitable for camellias and lime-hating plants, although you might like to try it on your heathers. The art of good mulching is

to block out this summer's weeds, to encourage roots and to retain dampness in the ground. You can see why conditions are ideal this month in the UK, except for those behind the wheelbarrows.

The ground could hardly be more wet, but by nature's cruel idea of balance, it will probably be a very dry summer. Act now and trap the wet under municipal greens, tiger droppings, farm manure or anything else which your ingenuity can unearth and recommend locally.

Patrick Zimmer jumped up and down in the deep snow two or three times. We were high above the Banane run, potentially one of Val d'Isère's most treacherous slopes.

He was playing a deadly game: deliberately attempting to trigger a *plaque à vent* avalanche rather than risk it happening accidentally with us engulfed in it.

The effect was spectacular, almost instant, and unexpectedly silent. After a split second delay, half the mountainside seemed to slither down, leaving the debris fairly safe for us to continue.

Even then, Zimmer - the senior partner in Top Ski, Val d'Isère's oldest and most respected independent ski school - was wary. "Do not do anything violent," he warned. "Ski very gently."

After such a moment of high drama, we hesitated. Sidney, a Canadian veteran in our small group said: "Don't worry. I would trust Pat with my life 10 times over."

In slow motion - our hearts beating time with the subliminal bleeps of the avalanche transceivers strapped round our chests - each of us took it in turns to ski through the danger area.

Hardly daring to breathe, we moved off at three minute intervals, so that if the avalanche rekindled its energy, only one of us risked being caught in it. When we regrouped, Patrick said that knowing where to "cut" an avalanche was similar to locating the "sweet spot" on a tennis racket or a golf club.

But how, we asked, do you know where to set off an avalanche so that you do not go with it? He smiled his Alsace smile and said: "That's my



Val d'Isère: perfect conditions

Shenot

secret."

One by one, we plunged over the edge into the funnel of the Banane. "Slowly," said Zimmer. "Ski slowly. Enjoy it but be alert. Breathe. Take your time. We are off-piste. Seriously off-piste."

We zig-zagged our way down the gun barrel and once again regrouped, this time under a large rock. Patrick still had a weather eye on the avalanche he hoped he had disarmed. If it turned out to be only playing dead, we would be reasonably safe here.

The most breathtaking part of our descent was over now, but there was still a long way

to go, through endless acres of deep powder. Like a mud-spattered speedway rider's visor, every space on my goggles was gradually covered in snow as powder swirled round our faces.

Our heart-stopping descent of the Banane was the highlight of a quite extraordinary morning on which Zimmer - an ox of a man with big blue eyes, who had once been in the French national ski team - had led us in waist-deep powder in almost unprecedented conditions down some "warm-up" runs on L'Épau de La Super L, Les Danaides and the Couloir des Améri-

cains (all above Le Laisinant) before tackling La Face Est on Bellevard.

Even he, who has been seeking out exceptional snow conditions for his clients for 20 years, knew it was a special day. "You should all make a note in your diaries about today," he said. "What we are doing is very special. It may not happen again in your lifetime."

During one descent we followed the Bellevard Olympic Downhill Course. The snow was so deep that it bore no resemblance to a race course or even a piste. "This is extraordinary," said Patrick. "To think that during the Olympics, racers were coming down here at speeds of more than 100km an hour."

Top Ski was the first independent ski school to break away from the official Ecole de Ski Français. When Zimmer (later joined by his equally urbane brother, Jean) started his organisation, there was a great deal of resentment from his former colleagues.

His actions helped pioneer a new generation of independent ski schools in France. Today, Top Ski is something of a skiing holy grail for British clients.

Over the years, the Zimmer brothers have charmed their way into the hearts of thousands of Englishmen and a good few Englishwomen (Patrick ended up marrying one).

British skiers, already advanced or seeking to become so, now account for more than

Skiing / Arnie Wilson

## A deadly game with an avalanche

a quarter of their clients.

After such an exhilarating day, the evening could easily have been an anti-climax. Not so at The Ski Company's new flagship chalet, Le Chardon, with which it reaches new heights of hedonism and epicureanism.

The Ski Company now works hand in ski glove with Top Ski in Val d'Isère, and it is a formidable combination.

It is six years since The Ski

Company "reinvented the chalet party" as Vogue magazine put it, and its managing director, David Kemp, is well aware that when you set unusually high standards, it is all too easy to capture your market and then let standards slip.

The Ski Lodge Le Chardon is proof that such fears within his organisation are groundless. Each of the nine beautifully appointed bedrooms is built from local woods -

meleze (larch), Noyer (walnut), Arolle and Douglas fir, apple and pear, chene rouge (red oak), and sapin du nord (northern pine).

If all this sounds like an exotic arboreal menu, the gastronomic version is even headier. Nick Brandt, the Swedish chef, runs a restaurant, l'Antienne Ecole near Perpignan, with Monica Gould, the Chardon's manager, in the summer. Champagne and canapes

were served before dinner, and if one got peckish in between the vast breakfast and afternoon tea, there was always the fruit bowl.

The fruit bowl, however, is occasionally a source of frustration for Kemp. "However well-stocked we keep it, occasionally someone complains about the number of oranges at the bottom of the bowl. Even when you try to give people the best possible deal, they're still suspicious. Sometimes you just can't win."

The Ski Company's holidays are sold by Abercrombie & Kent, Sloane Square House, Holborn Place, London SW1W 8NS, tel: 0171-730 9600. Top Ski, Val d'Isère: tel: 010 33 79661490.

## The end of the meat trade

Continued from Page 1

different standpoints.

The conservatives think they see a rabble of hunt saboteurs, greens and weirdos on acid. Essentially they are transferring, en bloc, the alignments and the pejorative that nate the issue of blood sports to the cause of "defending the farmers".

The progressives, on the other hand, have a psychological problem. They are aggrieved that a protest movement, the dimension of which they had no inkling, and whose objective seems to be outwit their own jaded repertoire, should have attained such momentum.

A great variety of contributors, drawn from the social services, the landed interest, and TV "presenters" have all been invited to state the case for "the industry".

Let us look at their arguments. Some are trivial, overt prejudice and flimsy debating points. Others are founded in a rational or an economic approach, and serve to illuminate the whole dilemma.

First, the "What-about-the-... (fill in as inclined) 'homeless', 'hoboes in Rwanda', 'underprivileged on our own doorstep' or, for those attempting the broader canvas, 'human race'". One editor, deferring to the precept that "confrontation" must always be given emphasis, headlined a quite reflective piece "Calves versus Humans".

This approach is wholly ill-founded. I see that some authors might feel irritated that their favourite cause, to which they attach the highest importance, should have been overtaken in popular appeal by an issue which they had relegated.

But the deeper inference appears to be that at any given moment there is only a limited pool of human compassion. If too much is mopped up by one issue then there is not enough left for the others.

Not only is this untenable in logic, it is an inversion of reality. For as people's awareness of suffering and exploitation widens so should the human generosity of their outlook. And it should fall upon a whole range of issues which had not earlier concerned them because their perceptions were constrained by ignorance or habit.

Even less compelling, although widespread as well as distasteful, is the intention to demean the protesters by mockery of their personal appearance - "skinheads", "knitting nannies", "dressed as Greenham women".

Now I suppose that I am the only member of the Conservative party who had a lot of sympathy for the Greenham women in their early days and, indeed, earned particular strictures from the editorial columns of the Financial Times (at that time more Atlanticist than Europhile) for raising an

Adjournment Debate in the Commons casting doubt on the agreement governing the deployment of cruise missiles.

And I do know history teaches that popular movements mocked for their attire - same-clothes, decimated - finish, as often as not, on top. In any case, it is the sheer breadth of social mix that gives the animal welfare movement its unusual strength, and a staying power that runs across several generations.

Anyone who attended the funeral service in Coventry Cathedral, of Jill Phipps, the veal flighter who died under a lorry, would have felt themselves to be at the centre of a perfect Mori opinion poll sample. For here were groups, and individuals, between whom mutual aversion could safely have been predicted in any setting different from that which united them in commitment and belief.

All this makes for an extremely potent reservoir of political strength. How to assess it? How long will it persist in this shape?

When the temperature drops, as must inevitably happen, will this commitment live on - dormant, but capable of rapid and unpredictable ignition; a Maoist sea in which a certain extremism may swim?

Of course there are inconsistencies. Where do we interrupt the food chain? At what point does the cost become impractical? Does not nature, across

the wild, provide subordinate species for the nourishment of stronger and more intelligent forms of life?

Questions such as these complicate, but do not demolish, the reformers' argument. Life for most people in the prosperous societies of the west is no longer nasty, brutish and short.

We have leisure, and security from which to contemplate the morality of inflicting - not intermittently, but day-by-day without remission - unbearable cruelty in the furtherance of our own profit and comfort.

Comfortable dissent is supplemented, among many, by a curious mysticism. There are growing numbers in the "consumer" society who see animals as creatures without guile or spite, carrying in their blood the mysteries of nature, whose forebears out-ran, and out-fought our own, in ancient forests.

This amounts to a subconscious reversion to the Orphic religion - pre-dating Christianity - by 1,000 years - which taught that murdering animals is to throw into doubt the whole relationship between men, gods and beasts.

Much of this suggests that the days of the "meat trade", in its present form, are numbered. And that the prudent investor (of either political or financial capital) would do well to draw the appropriate conclusion.

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## PROPERTY

# Golfing homes move out of the rough

Recession has dogged developers of residential properties on golf courses. But they are now ready to tee off again, writes Audrey Powell

**G**olfers and golf course builders have gravitated towards the sunnier parts of Europe as the popularity of the game and the demand for more courses has increased.

But golf courses are expensive to build. According to Hawtree, the British firm of golf architects, the cost of construction, an irrigation system, clubhouse and professional fees can bring the price of a 120-acre course with 18 holes to £2m. That does not include the price of land, if you have to buy it, and possibly getting a top tour player to have his name associated with the project.

Green fees alone are not going to pay the bills. It seems golf courses can no longer "stand alone". People like to live near them, however. The trick is therefore to build and sell homes around courses.

The development of residential property around courses was a phenomenon of the 1980s that went flat in the recession. Problems were compounded because some schemes worldwide were not well-planned. "France, for instance, has an over-development of poorly located and poorly designed courses," says Richard Wax, European representative of the Robert Trent Jones Group of golf course designers.

But worldwide demand is picking up again. The British are no longer the main buyers of golf-course properties abroad. German purchasers are much in evidence and the number of Scandinavians doing so is increasing. In Spain and Portugal, local people buy them as second homes; and those famous golf addicts the Japanese do not buy much individually, but their companies scoop up whole developments.

In Spain's "golden triangle" of golf - in the south-east - the 4,000-acre, 30-year-old Sotogrande sporting estate just



Penha Longa near Lisbon is expected to outshine many of Europe's other new golfing developments

tickled over in the recession years, with little new building carried out. One of the four golf courses on the estate, Valderrama (260 a round), now has the fillip of being the venue for the 1997 Ryder Cup. Plots near the course are available from between £81,000 and £288,000, while completed properties range from £277,000 to £478,000. In the hills overlooking the course two to four-bedroom villas are £138,000 to £300,000.

Most golf course properties offer benefits to buyers: all Sotogrande, they get shares in the "old" course.

Another part of the triangle is the San Roque Club, 15 minutes drive from Gibraltar and owned by Asahi Kanko SA, Japanese golf course developer and resort manager.

It was the dream of Tony Jacklin, former European Ryder Cup team captain, for a golf and leisure park to be built on this 340-acre site, once

the country estate of the Domecq sherry dynasty.

He defined two linking circuits amid meadows, cork woods and streams. There were to be two villages of houses, up to 50 apartments and 160 detached villas. Work was to start on the properties in 1989, but the recession meant the project was shelved.

Yet, even though not much has been built, the development is still popular. The old Domecq mansion makes an elegant clubhouse and restaurant, and pairs of single-storey suites around courtyards in the gardens form hotel accommodation.

Jacklin's own 12-bedroom property is on the market for £1m. Large plots for villas are available, bordering the course or overlooking lakes. A three-bedroom design in half an acre could cost £188,000.

Still in the "golden triangle", British contractor Costain has bought Alcaidesa, a 4,500-acre

site on both sides of the coast road from Gibraltar to Malaga.

It had envisaged three golf courses and 5,000 homes in the long term. Despite the recession, work began on the seaward side. A mile and a half of roads and an 18-hole course have been built, as well as infrastructure, landscaping and homes.

The development includes more than a mile of beach and has dramatic views of Gibraltar and the north African coast. More than 100 houses have been sold at between £85,000 and £130,000.

The next phase of 40 to 45 villas is expected to start soon, and discussions with a developer and operator about a 600-bedroom low-rise hotel complex have begun.

Prestige Properties International arranges weekend inspection flights to the "triangle" from London and Manchester for £159.

The Algarve region of Portu-



Valderrama, in Spain's Sotogrande estate, aims to attract buyers by giving them shares in the estate's "old" course

gal has 14 courses of 18 holes, with two more under construction. The area attracts 40 per cent of the British golfers who go overseas to play, says Andrew White, golf consultant with Brodie Marshall Hotels in London. White feels that many of the golf/residential developments that suffered in the recent recession only have themselves to blame. Some were built in remote areas, miles from an airport, and had experienced "disastrous" sales. Those close to airports were doing reasonably well.

The success of future golf-course developments will depend on their being within easy reach of direct flights to and from the capitals of Europe, to bring in those who can best afford to rent or buy such properties, says White.

Pinheiros Altos, a 250-acre Algarve development, is 20 minutes drive from Faro airport, set in pine forest beside a national park.

Work on the 18-hole course was begun in 1989 by the then site-owner London & Edinburgh Trust (LET), part of which became LET (Leisure), which then became Firago. LET was taken over by SPP, a Swedish insurance group.

Recently, the development has gone into Arab ownership

in the form of JTW Ltd and JJI International Inc. Some 56 of the original 91 villa plots have been sold, with the price of a property (four bedrooms, pool and half an acre of land) averaging £375,000. There are plans for smaller houses selling from £190,000.

Parque da Floresta in the

**Many of the developments that suffered have only themselves to blame**

western Algarve is perched on a hilltop and has a steep 19-hole course. At the end of 1993 its future looked insecure. "Problems for property owners and staff touched every aspect of the site," says Mark McFadden, managing director of Vigia group, the UK consortium that now owns it.

When Vigia bought the 450 acres, which always had great potential, it paid the outstanding bills, dealt with repairs, trained the building workers and improved techniques.

Vigia is now building more

houses, with views across the course and the surrounding nature reserve to the coast.

Bowling greens, tennis courts and a swimming pool complex should be ready this year. There will be riding, and a private beach club with yachting and sailing. Two-bedroom "town" houses are priced from £90,000; three-bedroom villas from £160,000.

Of the newest schemes, two golf/residential developments in Europe are set to outshine the rest.

One is Penha Longa, in the Sintra hills 25 minutes from Lisbon, which hosts the Portuguese Open this month. The 550-acre site in an area of outstanding natural beauty features a monastery and other monuments, which Japan's Asahi Corporation, the developer, is retaining. Penha Longa has an 18-hole course designed by Robert Trent Jones, plus a further nine holes.

Detached three and four-bedroom houses with garage and pool will cost from £530,000. Six-bedroom villas are priced at £815,000 upwards. Included in sales are individual golf memberships worth £15,000.

Ten permissions have been granted for golf schemes in the Berlin area of Germany, but the 650-acre Seddiner See golf

and country club being built 20 minutes from the centre of the city is attracting the most attention. The club will have two 18-hole courses opening next year. One is designed by Robert Trent Jones, the other by German golf architect Rainer Preissmann. The site, formerly agricultural land, has a lake, and golf lanes will run parallel to it. Total price for a house with land could be £1m.

In spite of the timing of the project, which began in 1990, there have been no financial problems. "We are in good shape and totally financed," says the club's managing director, Nicolai Siddig.

What is so special about the development? The location, the lake and the architects, said Siddig, and "we have the money - because the bank is our partner".

■ **Contacts:** Valderrama, tel: (Spain) 56 796 430; Sotogrande (London) 0171-351 2385; San Roque (Spain) 56 61 3030; Alcaidesa (UK) 0171-705 8444; Prestige Properties (UK) 0171-409 2888; Pinheiros Altos (UK) 0171-602 9922; Parque da Floresta (UK) 0223-217623; Penha Longa (UK) 0171-493 5222; Lurot Brand (UK) 0171-402 1146; Seddiner See (Germany) 30 324 3475.

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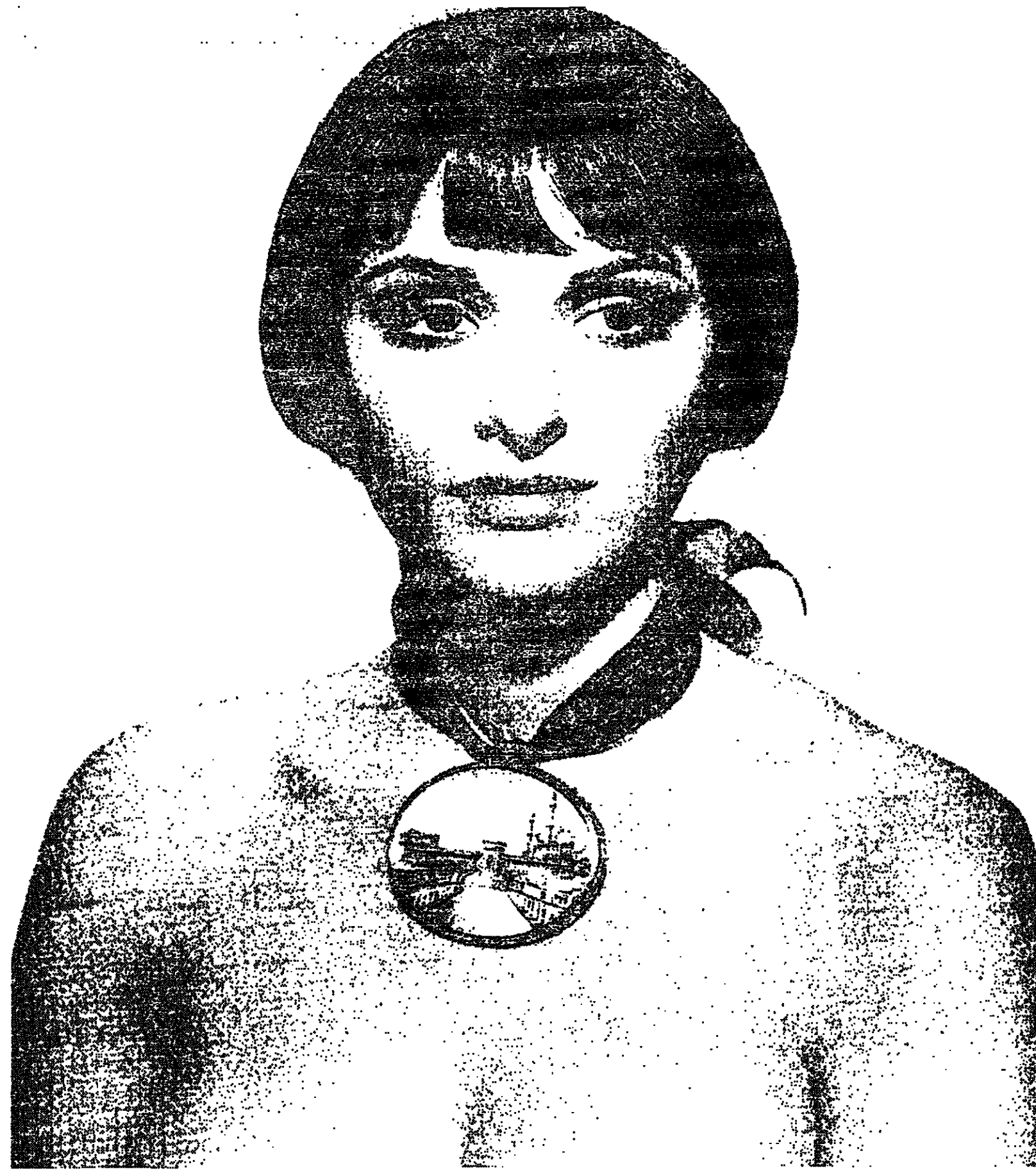
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## HOW TO SPEND IT / FASHION



Nineteenth century Indian grisaille miniature of the Jami Masjid Mosque in Delhi painted on ivory. Jehanne de Biolley Oriental Art, £500. Ribbon from V.V. Rouleaux

## The art around your neck

Jane Mulvagh looks at the possibilities small paintings offer as jewellery

Most of us never think of doing anything with pictures other than hanging them on walls but there are some exquisitely fine pieces that could equally well be hung around the neck. A delicate grisaille, perhaps, of a 19th century Indian cityscape painted on ivory with a single hair: a souvenir of a grand tour of India. Or what about a portrait miniature of a powdered and pomaded 18th century aristocrat? Try suspending a minuscule Russian icon, a panagia, from your throat or converting a Japanese lacquered inro, originally used to carry medicine or a seal, into a piece of jewellery to hang on lacquered silk cord down a bare back.

Many of these tiny, exquisite objects go unseen and unappreciated. Conventionally they are destined for a gentleman collector's curio cabinet, where they lie hidden from the world under dark velvet sheets or shut tight inside bespoke gilded leather boxes. In salerooms and galleries one often sees miniature pictures from many cultures that could embellish a woman with a great deal more charm than some thumping piece of jewellery – nay mineralogy –

haunted to alert attention to her wealth rather than her aesthetic sensibilities. Wearing a delicate painted miniature or object draws attention to its beauty and is a source of interest to those you encounter. At a garden party last summer, for instance, I saw a young woman wearing a Mughal Indian cityscape around her throat, the grisaille echoing the chiaroscuro of her cotton robe de Jouy dress. An elderly scholar approached and peering at the miniature inquired: "Do you realise that this is the Jami Masjid in Delhi, the largest Mosque in India, built by the Mughal Emperor Shah Jahan?"

Compared to logged fashion jewellery and real gems, and certainly compared to huge canvas portraits and landscapes, these pictures of fineness, artistic merit and curiosity, are significantly undervalued. An 18th century European portrait miniature, for example, by Jeremiah Meyer, Nathaniel Hone, Gervase Spencer or Gustavus Hamilton, of the "modest school", can cost as little as £500 at auction, while an important 19th century miniature by Richard Coway or John Smart of England, the German Heinrich Friedrich Fugger who

was active in Austria or Jean-Baptiste Isabey and Jacques Augustin in France, can be found for between £5,000 and £15,000.

The earliest portrait miniatures, according to Haydn Williams, the Sotheby's expert, were kept in turned ivory boxes, the very concealment underlining the private nature of the image. "Towards the end of the 16th century," he says, "the preciousness of the miniature was emphasised by mounting it in an elaborate jewelled gold and enamel pendant locket, such as the 'Drake Pendant', presented by Queen Elizabeth I to Sir Francis Drake in 1578. In the following century, as the size of the portrait increased, it became standard to frame miniatures in glass, silver-gilt or gold cases with the image open for inspection."

By the 18th century it had become fashionable to wear miniatures. Being a keepsake of ones beloved, it was typically worn on the left breast, close to the heart, or on a velvet or satin vest, and adorned, surprisingly, under generous lace cuffs.

An alternative to the coloured miniature is the black silhouette painted on

an ivory background. John Miers, John Field and Isabella Beetham working in late 18th England are particularly fine practitioners of this art and a piece should cost a few hundred pounds.

To the Orient for the inro – typically a small, lacquered receptacle worn on a silk cord around the waist and used to carry the personal seal required for all business transactions.

It seems to have first been worn around 1550, the late Kamakura period. Later it was used to carry prayer papers or patent medicines and finally as a form of male jewellery promoted by Japanese dandies.

Sources:

■ *Jehanne de Biolley Oriental Art, 29 Conduit Street, London W1R 9TA. Tel: 0171-495 4287.*

■ *Eskenazi, Oriental Art, 10 Clifford Street, London W1N 1RB. Tel: 0171-493 5464.*

■ *P.S. Latimer Antiques, 160 Grafton Street, London W1X 3LA. Tel: 0171-529 1752.*

■ *Photographs by Terence Donnan. Styling by Jane Mulvagh. Hair by Fuma Corrigan for Stephen King. Make-up by Fuma Corrigan for Christian Dior.*

## The dark sheets for the family

Lucia van der Post on new trends in old-style linen

For sweet old-fashioned traditional linens there is nothing to beat three old favourites of this column: The White Company, Cologne & Cologne and Antique Designs. Each has expanded in quiet but interesting ways.

The White Company, the youngest of the three ventures, was started by Christian Rucker, ex beauty and health writer on Harper's & Queen magazine, just a year ago to sell nothing but white bed and table linen and china. It obviously touched a nerve and met a need, for it took off instantly.

These days, however, there are some blue and white gingham poly cotton percale pillow cases and sheets, some quilted Indian bedspreads made from hand-blocked cotton, as well as wool rugs and blankets. But the new star of the show, in my view, is the absolutely plain pure white pique bed linen – and at £83.50 for a "super-king" duvet cover, £78.50 for a double duvet cover and £11.75 for the pillow cases, these are a luxury that many will want to afford. New, too, is a range of nursery bed linen, including an enchanting hand-knitted pram or cot coverlet (£48.50 and £35.50); some wonderfully old-fashioned Irish linen hand towels with deep hand-crocheted edges (£15.95) and honeycomb drying-up cloths.

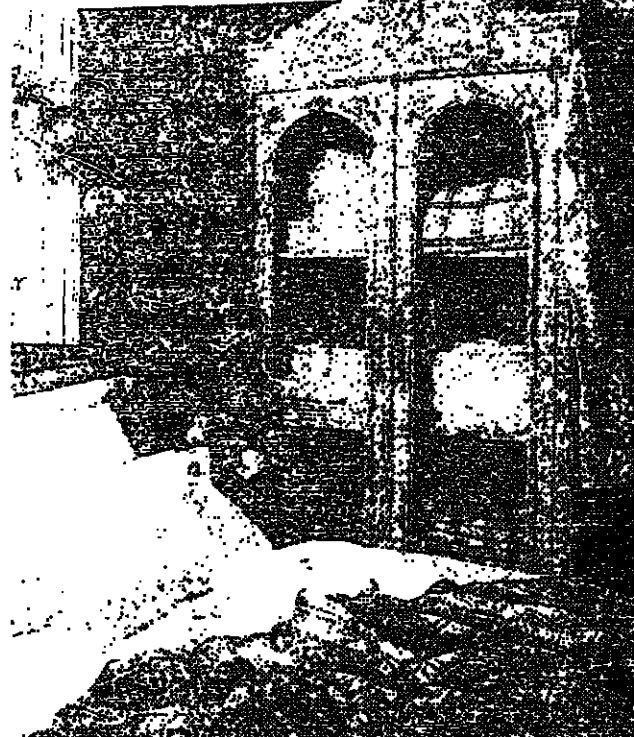
Still in the catalogue is a big selection of plain white linen – some hand-embroidered, some crocheted, some with simple hand-drawn threadwork as well as that ultimate luxury, pure linen hem-stitched sheets (now £23.95 for a double sheet set and £36.95 for king size). For the new spring/summer catalogue ring 0171-385 7888 (Fax: 0171-385 2883).

Also expanding and going very nicely is Penny Kempton's Antique Designs business. She used to deal in antique textiles but when prices started to reach stratospheric levels and supplies began to run thin she decided to have a range of bed linen made to her specifications in China. All her designs are based on the antique designs that she used to sell, most are inspired by Edwardian or Victorian designs and most feature some hand-work, either embroidery, drawn threadwork or crochetwork. All are in nothing but white and all are made in pure cotton or linen.

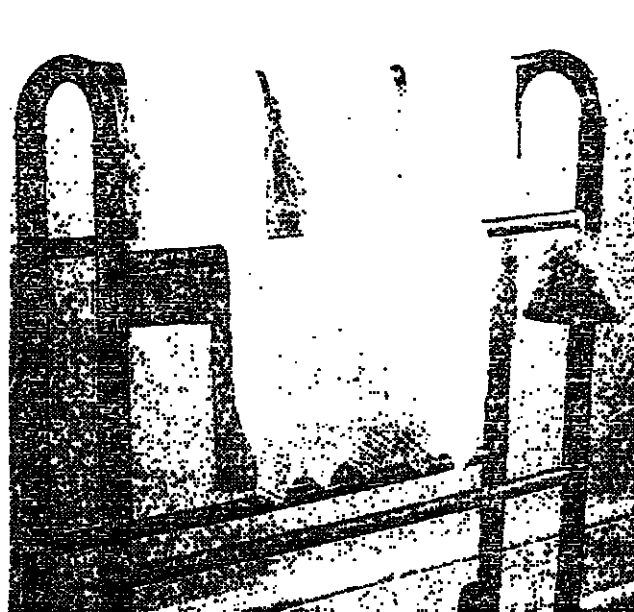
Her latest designs feature lovely deep crocheted edges – for instance a plain cotton sheet, double size, with crocheted edge would be £65, while continental pillow cases would be £46 a pair.

New, too, is a range of accessories, many of which would make charming presents – laundry bags, nightdress cases, handkerchief cases, brush and comb cases and cushion covers. Then there are the 100 per cent cotton nightdresses all of which are copies of antique designs – amazingly reasonably priced at between £21 for a checked nightshirt or a tucked nightshirt, they go up to £30 for a long-sleeved embroidered nightdress.

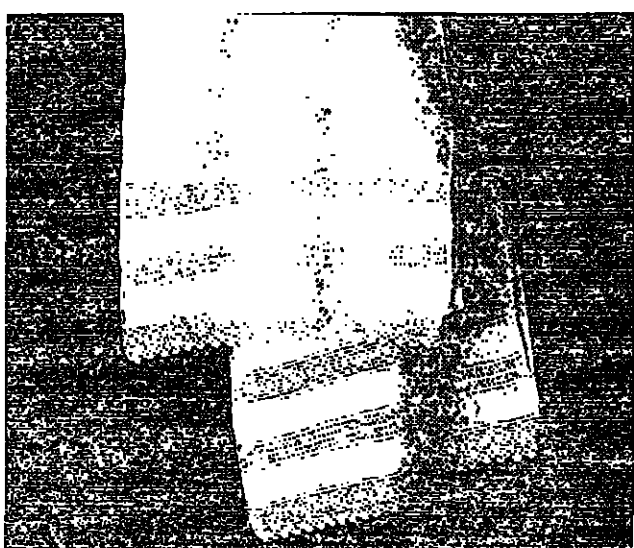
All Penny Kempton's designs can be bought directly from Antique Designs (the brochure costs £2.50 but the price is refundable from the first purchase). Stroton Hall, 100, Stroton, Cheshire WA4 4NY (tel: 01925-778009, fax: 01925-778811). There are also lots of



Part of the Cologne &amp; Cotton range



The White Company: Irish linen hand-towels with crocheted edge, £15.95



Antique Designs: decorative bolster cover in linen (£52) or cotton (£40)

stockists around the country so telephone or fax for details. More nostalgia from Cologne & Cotton which, as its brochure makes clear, "was established... to reintroduce the pleasures of these two natural products: 100 per cent pure cotton bed and table linen, and a range of eau de cologne based on original 18th century perfumes". New to Cologne & Cotton are the 100 per cent wool blankets, all machine washed and woven in Wales by Melin Trewant in one-hundred per cent pure pink and white, blue and yellow; they are £108 for the

single size, £140 for the double and £154 for the king size. They also offer white cotton pinstriped nightdresses and shirts, gingham and checked bed linen and some absorbent cotton waffle products, most notably guest towels, bath mats, a bathrobe (very crisp and clean looking for just £50) and, of course, the old-fashioned colognes. Write to Cologne & Cotton, 74 Regent Street, Leamington Spa, Warwickshire CV32 4NS for the brochure (everything can be bought by mail order) or visit the shop in Leamington Spa or at 74 Fulham Road, London SW6.

## M&amp;S delivers in the home

Once upon a time, if you lived in those places far away from useful chain-stores and chic little boutiques, there was nothing for it but a long foray into a city centre when you wanted to buy a new piece of furniture.

That may once have been fun – my mother would put on her hat and gloves, meet her friends and have lunch "in town". But these days, when convenience is much more important, you are just as likely to reach for the mail order catalogue.

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Those who have wondered why Marks and Spencer failed them so lamentably on the household front when it delivered so splendidly in clothing and food departments, might like to know that the group's spring and summer brochure is a big improvement on what has gone before.

Nothing here is avant-garde, innovative or likely to raise an eyebrow – but then that is not what we expect from M&S. Here we have good middle of the road taste: comfy sofas and chairs, in a variety of shapes and some excellent fabrics.

Look, too, for a range of commendably plain oak chests of drawers, wardrobes and dressers – Shaker-inspired but nevertheless useful for all that. The collection still lacks the clear, consistent handwriting of, say, Habitat, Jerr's Home Store or Global Village but then it does offer many things to many people and those who



Small Lichfield dresser, £550

look carefully will find lots to interest them. Prices are not particularly low but the quality and value looks good. There is also one great advantage – included in the price is delivery and the furniture will be unpacked and placed exactly where you want it.

The catalogue is available in all M&S stores for £1.50 or if you have an M&S chargecard you can order it by telephone (tel 01256-841141).

## Immerse in nostalgia

Lucia van der Post looks at the allure of old baths

There are those for whom avant-garde shapes, modern materials and efficient plumbing cannot compete with the charms of the bathrooms of vanished times.

Whether this nostalgic preoccupation with the delights of yesteryear is wise is beside the point – for those who hanker after an old-fashioned roll-top bath, nothing else will do. And it is not just out and out traditionalists who buy them – many a modernist, including it seems Sir Terence Conran, who has ordered one for his new Docklands apartment, are attracted by their pleasing shapes and their large, deep, capacious bodies.

Charles Burnett-Hitchcock has made it his business to provide all the appurtenances for the retro bathroom. Most of what he sells is the genuine article, found in old houses in England or France, stripped of the bare bones, de-rusted, buffed by hand, then re-enamelled

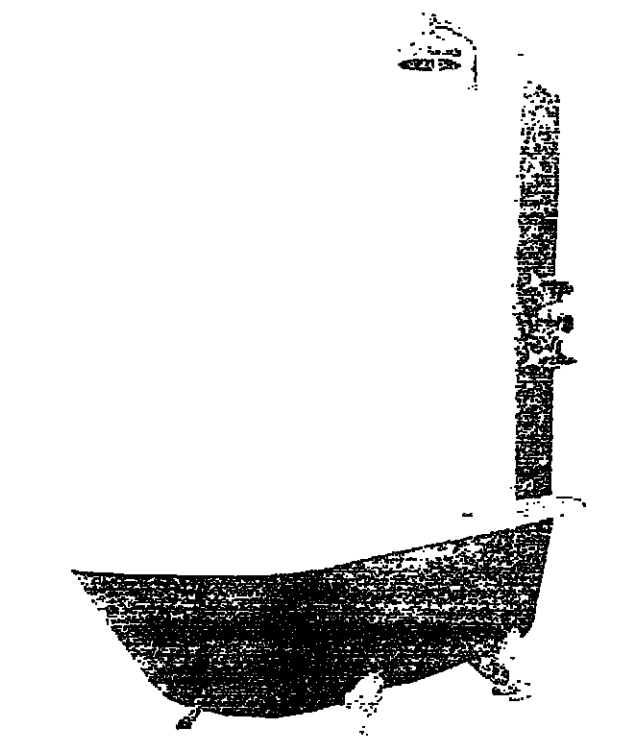
with several coats of enamel. When they are fully restored and made to work with modern plumbing they are put on the floor of his warehouse in Devon. He also does a range of reproduction baths, including a fibre-glass baby bath copied from an original French version and selling for £90.

He sells baths, including the traditional French roll-top versions with ball and claw feet ("the older, the better"), canopy baths (as in the picture here) with shower enclosures at one end, basins, lavatories, pedestals, shower-heads and all the other fittings the properly furnished bathroom requires.

Prices vary enormously – an English 5ft bath ("which to be truthful is the bulk of our business") sells normally for between £400 and £500, whereas a grand canopy bath with a shower enclosure could easily be £6,000, in between there are Victorian, Edwardian and Art Deco pieces. Also very popular are adult-sized French

roll-top baths, normally priced between £800 and £900. Basins vary from between £40 and £250.

Those looking to create an authentically period bathroom should visit his warehouse at Ivybridge in Devon which is open from 8.30am to 5.30pm from Mondays to Fridays and from 10am to 1pm on Saturdays. For those who cannot get there, David Burnett-Hitchcock has a brochure which he will send free by mail. As most of his pieces are one-offs, it concentrates on explaining the concept behind the business and the range of baths and accessories normally to be found there. He encloses with the brochure a computer print-out of everything that is in stock on that particular day. He is happy to deal with inquiries by telephone. For the brochures or other inquiries write to Antique Baths of Ivybridge, Ernie Bridgeworks, Ernie Road, Ivybridge, Devon PL212 9DD, or telephone 01524-89250.



Canopy baths with shower enclosures start at about £3,000



## FOOD AND DRINK

# Where only the women can cook

Nicholas Woodsworth samples the abundance of food and markets in Morocco

When the sun begins setting on Marrakesh, Djemaa el Fna - the great square in the centre of the city - becomes the heart incarnate of the mysterious East. It gets so crowded with snake charmers that there is barely elbow room, even for snakes.

There are story-tellers, acrobats, musicians, jugglers, prestidigitators, soothsayers, tooth-pullers, mendicants and mountebanks - entire contingents of brochure blurb-writers would have trouble conjuring up such characters.

After an evening of wandering, though, I grew hardened to such exoticia. When you have seen one length of rope rise skyward from a laundry basket you have seen them all. What kept me coming back was an equally exotic sight - the food.

There are more than 100 food stalls set up each evening in the Djemaa el Fna. As the sun sinks and the pinky-orange buildings of Marrakesh take on a deep radiance, an army of food vendors begins trundling its stands and stalls into the square.

They set up trestles and benches, lay out plastic table cloths, stack enamel plates and fill buckets for the washing of dishes. Gas cylinders are hooked up for cooking and long metal grills of charcoal are lit. From tall poles over the tables, gas lamps are suspended and set hissing. Parsis, pots bubble, kettles steam. By the time the sky above is black and the sun no more than a deep glow on the horizon, the Djemaa el Fna has become a vast kitchen illuminated by a starry constellation of bright lamp lights.

And then the crowds descend, mysterious bodies wandering through a thick billowing of charcoal smoke. Like hundreds of others I gazed, ambled onwards, compared, retraced my steps and gazed again searching for the stands that took my fancy.

I enjoyed visiting the fruit stalls, architectural marvels of pyramidally-stacked oranges dispensing glasses of freshly-squeezed juice. Next door, I freshened at a plate of steamed snails and the impromptu little forks - straightened safety pins plunked into glasses of water - used to eat them. I also steered shy of large piles of sheep's heads. They seemed to peer at me with a certain recrimination. Instead, I followed the crowd into dense clouds of smoke drifting from one particular stand. Behind it, their eyes reddened, their forks flashing incessantly, three men could barely keep up with demand - served with flat bread and a spicy sauce, their grilled sausages were drawing large numbers of hungry diners.

Here was a mystery as deep as any in the east. Was this not Morocco, a country which Paula Wolfert in her wonderful



Fatima Lakrbi prepares the evening meal

book *Good Food from Morocco* (29.95) rates as one of the world's great cuisines? Were we not surrounded by stands selling scores of different kinds of food, including many varieties of couscous and tagine - some of the most complex, subtle and refined dishes that Morocco has to offer? Compared with this stall they remained underpatronised. Why, I wondered, was a thing so simple as the humble sausage proving so popular?

I began finding the answer over the next few days as I made my way across the country: most Moroccan restaurant food is simply not very good.

In general, it is so unvarying, so poorly cooked and uninspired, that it soon becomes dull. No matter how fancifully decorated they were, no matter how ornately lavished the service - I once found myself gently showered with rose petals by a mustachioed waiter in pointed slippers - the restaurants all seemed to offer the same thing. Overcooked couscous and a tagine of dried-out chicken sprinkled with olives is hardly world class.

Yet Wolfert - a judicious and highly-praised authority - continued to draw me on, encouraging me to hope I had merely hit an unlucky string of dud meals. For according to her, Morocco, like France or China, satisfies all the conditions necessary for a truly great cuisine.

First, she says, Morocco is a land of plenty, offering the climates of the Medi-



A spice seller piles his wares in Marrakesh. As the sun sinks and the city's buildings take on a deep radiance, a small army of food vendors begins to put out its stalls.

terranean, the Atlantic, the mountain, the desert and the fertile plain. From the first bite of a meal to the last sip of mint tea, it provides a vast array of fine ingredients.

Second, it has been influenced by a variety of cultures. Berber by origin, Arab and Middle Eastern by conquest, Morocco invaded and borrowed from Spain and parts of black Africa; today, culinary influences from as far afield as Andalusia, Persia and Senegal make Moroccan cooking unlike any other.

Third, Morocco has had the great civilisation without which great cooking cannot develop. When European cities were deep in the Middle Ages, Wolfert points out, Fez was a sophisticated city, a centre renowned for its arts, sciences and philosophy. Such standards were reflected in its food.

Last, like all great cuisine, Moroccan cooking benefited from the existence of a palace culture; a vibrant folk culture aside, the four great royal cities of Morocco - Fez, Meknes, Rabat and Marrakesh - provided in their opulent courts the stimulation to inspire palace chefs to new heights of perfection.

I did not feel like cadging dinner from the back of the present king's kitchens. I simply wanted a good meal. By the time I got to Essaouira, an attractive fishing port on the Atlantic coast, I was wholly frustrated. And then, suddenly, it all changed. I was strolling about the market inside

the town walls, looking at the produce. It was magnificent.

There were stacks of fruits and vegetables as rich and colourful as anything in Provence. There were products from the desert oases - sweet dried figs on strings, ruby-red pomegranates, sticky, golden-brown dates. Grain-fed pigeons, rabbits and turkeys clucked and cooed in cages. Walnuts, chestnuts, almonds, raisins and prunes sat heaped in mounds. Six-foot conger eels lay splayed over counters. Fragrant mint stood in tall bunches. Olives, green, black, pink, yellow, swam in vats with parsley, with garlic, with chilli. And from the spice market bright little pyramids of cumin, pimento, and coriander waited the headiest of odours my way.

I was baffled. Where, for heaven's sake was all this wonderful, mysterious stuff going? Certainly not to the eating places.

And then it struck me. All the shoppers here were women. Yet none of the food vendors on the Djemaa el Fna, none of the cooks in the restaurants I had eaten in, were women. We sometimes miss the most obvious things. Could it be as simple as that?

It could. Moroccan men make dreadful chefs. A few hours later I found myself in the Villa Maroc, a small, upscale hotel with a private kitchen, in the company of Souad and Fatima. My discovery of female

cooks was the cause of some amusement.

"It is only women in Morocco who know anything about cooking - men just like to eat," Souad laughed at me as she began preparing the evening meal. She has lived in Europe, and knows of male pretensions in the kitchen.

"In our country cooking has always been the work of women. It is a tradition passed down through families. We spend a lot of time in the kitchen. Daughters learn from mothers, one generation after the other. We have no cook-books here, no cooking schools, no television food programmes. How could you expect men to do anything properly?"

I had no answer for that, but spent the next few hours watching women do everything properly. And as they worked I began to see how many different elements - ingredients and techniques, the subtleties of spicing and the contrasting of tastes, the importance of visual appeal and an attitude Paula Wolfert calls the "philosophy of abundance" - could indeed make Moroccan cooking a world-class affair.

"Take even a simple *kefta* tagine," Fatima said to me as she lit a charcoal fire and prepared the all-important tagine sauce - in this case a mix of tomatoes, onion, parsley, garlic, pimento, pepper and cumin. "In most restaurants they cook on gas. Pre-cooked sauces and meats are heated together, and at the last minute poured into a tagine bowl. It is all wrong."

I watched her roll small balls of spiced mince and add them to the sauce.

"They should be simmered slowly together, like this, over charcoal, in an earthenware tagine bowl. And if the bowl is not wearing its hat," she added emphatically, placing a high conical terracotta lid on the bowl, "it will not be right."

It was the same with each dish - here as everywhere else classical cooking is practised, patience, respect for tradition and attention to detail are vital ingredients.

Thus, the cracked wheat of Souad's couscous was steamed not over any water, but the water in which the accompanying vegetables were cooking. Not only was her baked fish stuffed with calamari, shrimp, rice, and red olives; it was marinated for hours before in a cumin and sweet red pepper sauce. Even the *harira*, an everyday Moroccan soup of chick-peas and lentils, was rich and subtle with unexpected flavours - egg and parsley, tomato and coriander, celery and saffron.

When it was all over, the guests were fed, and we were relaxed over bowls of *harira*, I asked Souad and Fatima the solution to dining in Morocco was.

"Hire a cook," said one.

"Get married," said the other. I did not go to such lengths. But, except when dining *à la carte* at the magicians and cooks of the Djemaa el Fna, I have a trick - getting my head through the kitchen door for a peek at the chef.

After my first dinner at St John I wrote in the night with a headache. Honestly, I had not drunk too much.

I had shared a bottle of Boillot's 1992 Bourgogne Rouge (£18.75) and finished with a glass of Kummel. My meal, cooked by Fergus Henderson, was roast bone marrow and parsley salad followed by grilled ox tongue and junket.

I think I know now what I was suffering from: the effects of all the statements - design, culinary and vinous - the team behind the St John is trying to make.

When the restaurant's partners - financier Trevor Gulliver, chef Fergus Henderson and front of house Jon Spitzer and Henderson - took it over, they chose white for the walls, tables and ceiling - and the staff clothing. No chance of mistaking the designer-dressed staff from the designer-dressed customer here.

The only break in the white decor is provided by black, factory lamps.

The design is there to emphasise the cuisine. Henderson, a trained architect, and Spitzer wanted to create an "eating hall" in which little distracted from the food. To the absence of colour must be added an absence of music, paintings, flowers and candles. Walk in and it is eyes down on the menu.

The *carte*, white with black lettering of course, could have been written by a newspaper headline writer. No description is longer than five words, some no more than one or two: milk soup; lamb's heart stuffed with swede; ham in hay; baked hake & spinach. Desserts include: steamed pudding, tapioca pudding, chocolate slice, cheese with or without a bowl of wal-



From left, front: John Spitzer, Trevor Gulliver, Fergus Henderson and the staff at St John

## All white on the night

Nicholas Lander finds a special place for lunch in the city

nuts, and that much neglected dish, Welsh rarebit.

The cuisine owes its origins to The French House Dining Room, a nine-table restaurant which Henderson and Spitzer opened above The French House pub in Dean Street, Soho (0171-437 2477) in 1992. It is now run by Margot, Henderson's wife, and the move to St John, which seats 100 with a private room for 20, has

allowed the men to express their culinary preferences on a larger scale.

Speaking virtually with one voice they outlined their likes and dislikes. "We wanted to get away from menus which include such phrases as 'on a bed of this or that' and the word 'nestling'. We know that if you put scallops and lamb on the menu that is all you will sell."

"In fact you could open a restaurant called 'The Scallop and Lamb' and you'd be full every day. So we don't serve either scallops or lamb. Nor do we serve pasta, risotto, grilled peppers or basil. There are enough restaurants in London cooking these dishes."

Instead, their symbol is the pig, which figures on their menus, ashtrays, and matches and its virtues are encapsulated on the bottom of the bill

in the phrase "nose to tail eating". Henderson cooks everything from brawn to pig's trotters.

This emphasis on foods which other restaurateurs have largely ignored means exciting eating at keen prices. Pork rillettes (£4.50), a salad of grilled potatoes, anchovies and olives (£4.20), sea kale, spinach and red onions (£4.80). Main courses costing under £9 include: boiled beef, carrots and green sauce; smoked haddock, bacon and mashed potato; and ham steamed in bay.

Bread and desserts are made by Dan Lepard, a talented pastry chef. (They will shortly be installing a full bakery which will retail the bread.) My biggest criticism is that Henderson has allowed his architectural discipline to dictate an all-French wine list. "I

don't want the flavours going all over the place," was Henderson's defence. However, the strong flavours of his cooking would benefit from a glass of California Zinfandel, Italian Barbaresco or Australian Shiraz.

St John is unlike any other restaurant in London - and the city is the richer for it.

St John, 26 St John Street, London EC1M 4AY. Tel: 0171-251 0848. Fax: 0171-251 4099. Closed Sunday evenings.

The current batch of wines shipped to the UK from Chile seem to be about twice as convincing as their immediate predecessors.

I would recommend buying the youngest Chilean vintage you can lay your hands on. (The somewhat slangish US market still seemed to be bugged up with 1992s and their antecedents on my last visit there.)

To prove the point, Safeway has a 1994 Cabernet Sauvignon at just £2.45 that is bursting with colour and fruit - just the sort of young, unwooded red Safeway seems to take a particular shine to - and made by peripatetic Jacques Lurton at the San Pedro winery.

The 1994 Chilean whites are particularly good and Carmen Reserve Chardonnay 1994, £4.99 at Oddbins, seems a particularly good buy.

Janis Robinson

John Armit Wines is currently offering its latest pick from Argentina, South Africa, Australia, California, Oregon and Spain. This is therefore the moment to seize if you have ever been impressed by the dazzling South African white wines of Mulderbosch. Its barrel-fermented Sauvignon Blanc 1993 is £98 a case while the 1994 Chardonnay is a neat £100. JR

More serious white wines, however, are on offer at

Laytons, the ultra-fastidiously made collection of 1993 white burgundies, Belgian fanatic Jean-Marie Guffens' Côte d'Or bottlings under the Verget label and those from his own Guffens-Heynen vineyards in the Mâconnais.

Unlike Armit, Laytons allows its customers to buy by the single bottle, but case

prices vary from £106.80 for an admirably superior Macon Pierreclous Blanc to £231.20 for grand cru white Batard-Montrachet or Chevalier-Montrachet. These prices make the 20p look just a mite absurd, but five of these super-concentrated wines are less than £200 a case.

JR

The deep pleasures of eating in Italy are not to be rushed. And Arcigola Slow Food, an organisation centred in the town of Bra in the gastronomically blessed Langhe area of Piedmont, knows it.

Founded in 1986 by Carlo Petrini and a group of amiable friends it has now evolved into an international movement.

The group believes that slow and prolonged enjoyment, is the best defence against the encroachments of "the fast life". And the place to start is at the table.

Arcigola Slow Food has now published a guide, *Osterie d'Italia 1995* £36.00 (£13.99), which lists more than 1,400 of Italy's best traditional osterie and specialised wine bars or *enoteche*, by town and region.

The guide concentrates on eating places which offer regional cooking and regional wine at reasonable prices (less than £50.00 per person).

Jennifer Pagonis

The Fifth Floor Restaurant in Harvey Nichols, London SW1, (0171-235 3250) responded when business on Monday nights became quiet by removing the restaurant mark-up on wine purchased in their wine store. Eat and drink in the restaurant, café or bar on Monday nights and you pay only the retail price of the wine.

Now the restaurant's management has decided to apply the same pricing policy to sweet wines, which have been declining in sales, every day of the week. From an extensive list you will pay £5 for a glass of Louis Roederer's Champagne, £3 for a 1980 Vieux Rivesaltes and £4.25 for Lenz Moser's 1976 Trockenbeerenauslese.

Nicholas Lander

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## TRAVEL

# A visit to Europe's prim maiden aunt

Adrian Gardiner drives through Luxembourg, one of the world's cleanest and safest nations

South of Brussels, the Esch was almost deserted. Driving through the beautiful forests of the Ardennes I passed no more than a dozen cars in the hour, tyres swishing through the snow. A winter sun sank below the treetops and headlights made the frosted verges and petrified shrubs sparkle. Outside, the temperature was 17°F. A decade ago, the motorway stopped at the Belgian border and you crawled the last 10 miles into Luxembourg City through Arlon, a village of hypermarkets, discount stores and cut-price petrol stations. Now, the road sweeps out of Belgium past a new second world war museum and straight into Luxembourg City. This is the cleanest and safest capital in Europe, perhaps the world. The visitor's first impression is of a great clutch of banks: more than 130 at the last count. The country's wealth came from steel but today, with iron ore deposits depleted, it has diversified into banking, communications and tourism.

Luxembourg's first economic union was with Germany but this dissolved as a result of the first world war. Luxembourg then turned to Belgium, and in 1943 they joined with the Netherlands to form Benelux. Five years later Luxembourg gave up its neutrality to join international political, economic and military organisations and soon after, the City of Luxembourg was chosen as the provisional seat of the first supranational community, the European Coal and Steel Community.

The Treaty of Rome followed in 1958, setting the wheels in motion for the European Economic Community. A prize

inaugurated in 1966 commemorates Luxembourg-born Robert Schuman, founding father of the common European. Recently it was awarded to Jacques Santer, Luxembourg prime minister and now president of the European Commission, for "devoted work towards a unified Europe".

Luxembourg today is the seat of the European Court of Justice, the European Investment Bank and the European Monetary Fund. Preserving its reputation for honesty and integrity, Luxembourg law

**Everyone appears to drive a Mercedes or, at worst, a large Audi**

strips the right to vote from those sentenced for fraud or larceny.

Few countries in the world are more politically and economically stable. Inflation is low; unemployment virtually non-existent. Disposable incomes are high. I saw no larger lous, no cardboard-box cities. Everyone appears to drive a Mercedes or, at worst, a large Audi.

How do they do it? "We have a proverb," says Georges Hausener, local writer and historian, "which would translate as a child's hand does not take much filling." It is a small country and the capital's population is the size of an average provincial town. Straddling a rock, it contains an historic centre and the remains of a medieval castle: the *Lucilinburhuc Castellum*

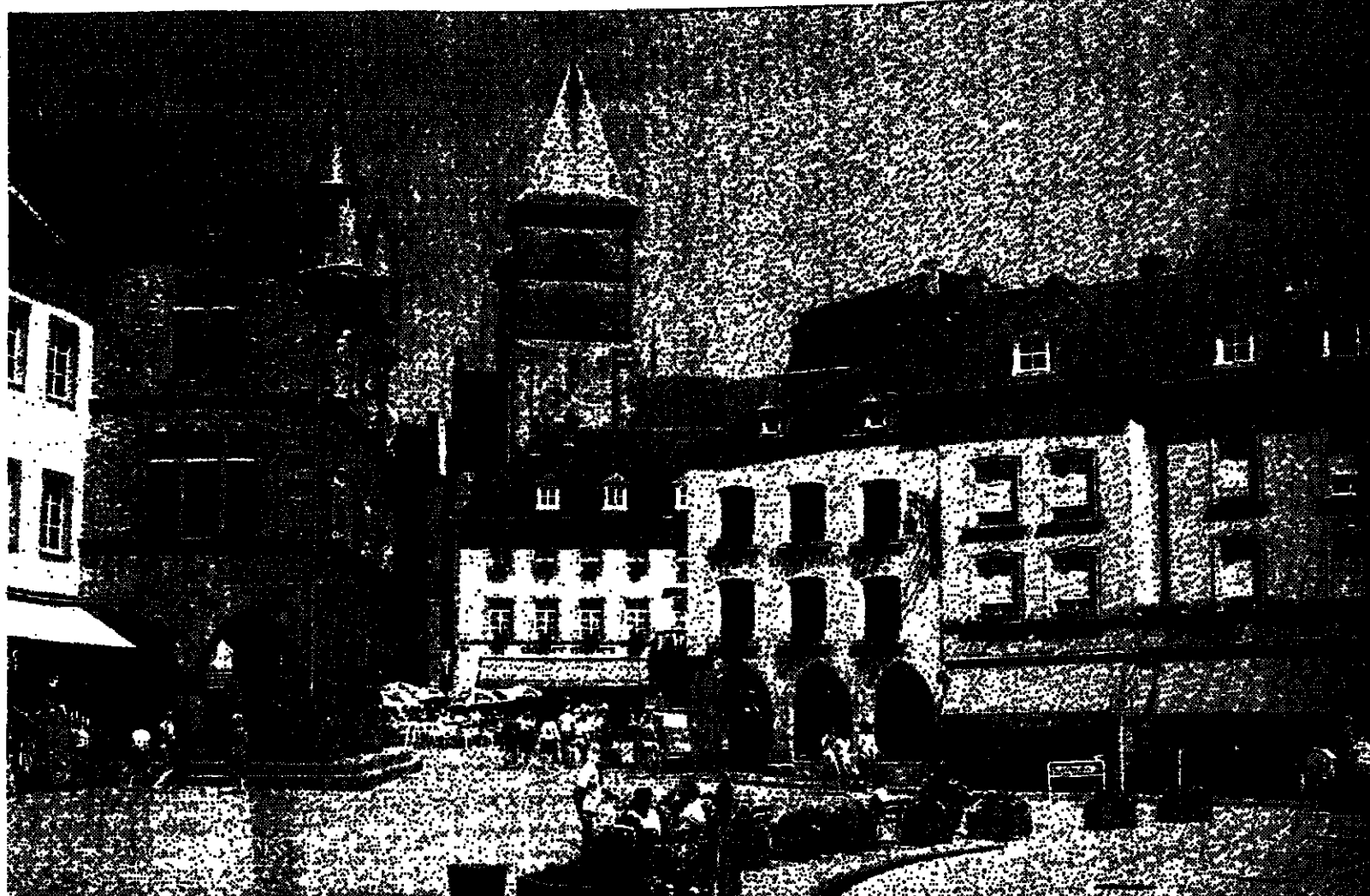
which Count Siegfried, a descendant of Charlemagne, swapped for an abbey at Trier in AD963.

In 1815, the Congress of Vienna established the Grand Duchy, ruled ever since by a dynasty of Dutch origin. Grand Duke Jean has been on the throne since 1964, when his mother abdicated in his favour. His 30-year reign has seen only three prime ministers. Luxembourgers retain their own dialect, Luxemburgish, but also speak French and German (the former is preferred in correspondence and on official documents). English is widely spoken. The people are rather serious and well-behaved; in temperament they are somewhere between Teutonic formality and Latin flippancy. Luxembourg is the prim maiden aunt of European countries.

We leave the capital, with its street cafés, 17th-century cathedral and Casemates - 15 miles of rock tunnels underneath the city - for a drive through the country. To the south lies the Red Earth Basin. The town of Esch-sur-Alzette still produces steel, but much of the country's industrial heartland is being redeveloped for leisure and heritage preservation: witness the new mining museum at Rumelange and the Sentier du Sud, a long-distance footpath.

Heading east, it is a few miles to the River Moselle, the border with Germany. We turn north on a road sandwiched between river and vineyards, stopping at one of the many caves to sample some excellent méthode-champenoise.

Although the Romans produced wine here, the industry was established only in recent years: one of the largest caves, that of Bernard-Massard, was



Cafés and clean courtyards in Esch-sur-Alzette: an attractive town in Luxembourg famous for its skipping procession on Whit Tuesdays

set up by an immigrant from the Champagne district of France in 1821.

The Moselle joins the River Sûre which follows us to Esch-sur-Alzette, one of the country's most attractive towns. Many places in Luxembourg commemorate historic events with festivals, and Esch-sur-Alzette is no exception with its *Spring procession* - a skipping procession - which is held every Whit Tuesday.

The town also boasts a fine basilica and the ruins of a Roman palace.

We are on the edge of the area Luxembourgers know as "Little Switzerland" (follow the road south towards Mullerthal). It is an eco-tourist's delight: a verdant, silvan landscape of crystal-clear streams amid stately oaks and beeches. "I love this country," wrote

Victor Hugo, "its beautiful and savage places..." Hugo first came to Vanden in 1863: admirers recommended the area as a proper retreat for the romantic writer to work and meditate in. But the poet, playwright and novelist also dabbled in politics and when Louis Napoleon, president of the new Republic, proclaimed the Second Empire, the staunch democrat Hugo attacked him with contemptuous speeches and pamphlets.

Hugo went into exile for the next 19 years. Vanden was the ideal place. Thirty years earlier, he and his mistress, Juliette Drouot, had searched Europe for "a little valley threaded with mysterious twisting paths". After the tensions and unrest of Paris and Brussels the serenity of Vanden increased

his output: there were poems, plays, biographies and novels, including *Les Misérables*.

No less prolific was Juliette. From the moment they met she gave up everything for him, including a royal lover and a theatrical career. It is calculated that she wrote him 15,000 letters, although they were rarely separated for more than a few hours.

The 9th-century town of Vanden - meticulously preserved, like all old towns in Luxembourg - is dominated by an enormous feudal castle on a rocky outcrop. Once the home of the Counts of Vanden, it is now a national monument. Hugo's house, in the valley, is a museum.

Having come this far, you should not miss Clervaux and Esch-sur-Sûre. A lake near the latter, the Obersauersee, pro-

vides opportunities for canoeing, sailing, surfing, swimming and fishing. Diekirch is another attractive town, with a centre closed to traffic, Roman mosaics and the famous Donkey Fountain.

Back in Luxembourg City I absent-mindedly put some coins in what I take to be a parking meter. It delivers not a parking ticket but a plastic bag. It is a simple and effective solution to the problem of foul dogs, and one which Britain and other countries would do well to adopt.

**CITY OF CULTURE**  
EVENTS: A full list of events is available from the Luxembourg Tourist Office, 123 Regent Street, London W1R 5FE, tel: 0171-434 2800. Exhibitions, concerts and other events are not centred in Luxembourg City but

are spread around the country. Principal venues are: *Château de Bourbier*; *Eglise St-Laurent in Diekirch*; *Conservatoire Municipal in Esch-sur-Alzette*; *Eglise Decanale in Clervaux*; *Caves Co-operatives at Wellenstein*; *Domaine Thermal at Mondorf-les-Bains* and the *Château de Vianden*.

Principal venues in the city are: *Casino Luxembourg*, 41 Rue Notre Dame (close to the cathedral); *Théâtre des Capucins* (north of the Place de la Constitution); and the *Théâtre Municipal*, north of the city centre along the Avenue de la Porte. At the Casino, on major exhibition of post-impressionist art, called *Luxe, calme et volupté*, runs until March 26. A discount ticket covering all 19 paying exhibitions is available from BP 635, L-2016 Luxembourg.

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## Awestruck by whispers

James Henderson visits a dagoba

In the books about Sri Lanka you read that there are enough bricks inside some of the island's dagobas - the rounded temples that stand like vast white water-droplets in the jungle - to construct a wall three feet high from London to Edinburgh.

They are truly massive; fitting buildings at which to witness the divine. But unlike most religious buildings, dagobas have no interior. They are merely a focus for worship and are solid inside.

This is what makes the Gangatila Vihara dagoba, at the roadside in Katutura about 30 miles south of Colombo, a little strange. As here, you can enter the building, and see its huge dome-roofed hall, painted white with statues of Buddha and illuminations from his life. At the centre stands another, smaller dagoba. It is peaceful and awe-inspiring. But the magical thing about the place is its acoustic quality. It is a vast whispering gallery.

So many religious buildings use great size as a way of impressing humans with the magnificence of the divine. The huge, cavernous interiors of Christian cathedrals dwarf us into silent wonder and then the acoustics have their way. Of course, many western cathedrals also have a whispering gallery, a simple and satisfying trick to impress the faithful.

Most dagobas are reliquaries of which the Temple of the Tooth at Kandy is the best known, the tooth referring to one of Buddha's own. But the most sacred thing about the Gangatila Vihara is the bo tree (important in Buddhism because that is where the Buddha attained enlightenment).

The dagoba, which has recently been restored, is not that old, though it was built on the site of an ancient temple (a gubernatorial mansion interrupting the continuity during colonial times). It stands on an island and is one of the most popular temples in Sri Lanka.

I arrived on a full moon day, also special in the Buddhist calendar because the Buddha was born, attained enlightenment and died on full moon days. In the street was a half-mile procession of children.

They filed past in groups: drummers and cymbal players, rice tappers, pot bearers, flag bearers. Dressed in embroidered waistcoats, they danced as they moved, stepping left, then right and leaning down to construct a wall three feet high from London to Edinburgh.

I turned into the dagoba yard. Around the walls of the white dome, the faithful were gathered making their devotions. They first offer fragrant flowers - lotus lily and frangipani - at the Buddhas, then tiny clay lamps burning with coconut oil. Then they chant their thanksgiving quietly under the bo tree.

After taking off my shoes, I entered the dagoba and walked silently up the curving stairway into the main hall. Overhead was a huge sky-like ceiling, perfectly rounded and painted white.

At the centre was the small dagoba and the four Buddhas, their tables covered in flowers. Around the outside were the paintings normally seen in a shrine room, depicting the Buddha's life and his route to enlightenment.

But it was the noise that was so impressive. There were about 200 people in the room and they were constantly moving and talking. As I stood against the wall, noises reached me from all around, in shifting and shuffling echoes.

The normal impact of the noise was dissipated, like sound reflected on corrugated iron: a clap was stretched into a hiss like a breaking wave, each screech by a child came softened, as a three or four, maybe 10-part echo. The quiet invocations of the devout were amplified and then shifted into a constant sibilant stream.

On a quieter day I could have whispered to someone positioned diametrically opposite me 30 yards across the room - whispering galleries best reflect sounds of higher wavelengths - but with so many people there was no definition.

I was simply washed over with a mesmerising stream of noise. It had an unworlly, liquid quality. There can be few more powerful man-made ways to witness the divine.



## SPORT / MOTORING

To get to hell, runs the heart-felt adage of the American business traveller, change aeroplanes at Atlanta. Your bags will have gone on to Miami.

The Georgia capital's airport is both vast and crowded, and likely to get more so in the frenetic run-up to the 1996 Olympic Games. Atlanta, a city notoriously more interested in its future than its past, beat Athens for the right to hold the centenary edition of the modern Olympiad.

The first games of the modern era were held in Athens in mid-summer 1896 at the instigation of a boosterish French aristocrat, Baron Pierre de Coubertin. He would have fitted into modern Atlanta like a hand into a glove.

In Barcelona before the 1992 games, the whole romantic notion of the Olympics held the city in anticipatory thrall for close to a decade. Here in the New South it is seen as a workaday logistical and financial challenge to a "can-do" attitude that has made the city one of the most dynamic and affluent of the modern US.

While New York's subway declines into a modern demography of violence and squalor, the Metropolitan Atlanta Rapid Transit Authority has an "Art in the Stations" programme. In Peachtree St station, 120ft below the city's central business district, the granite walls of the tunnels have been left stark and bare for visual effect. It is a Grand Canyon with trains.

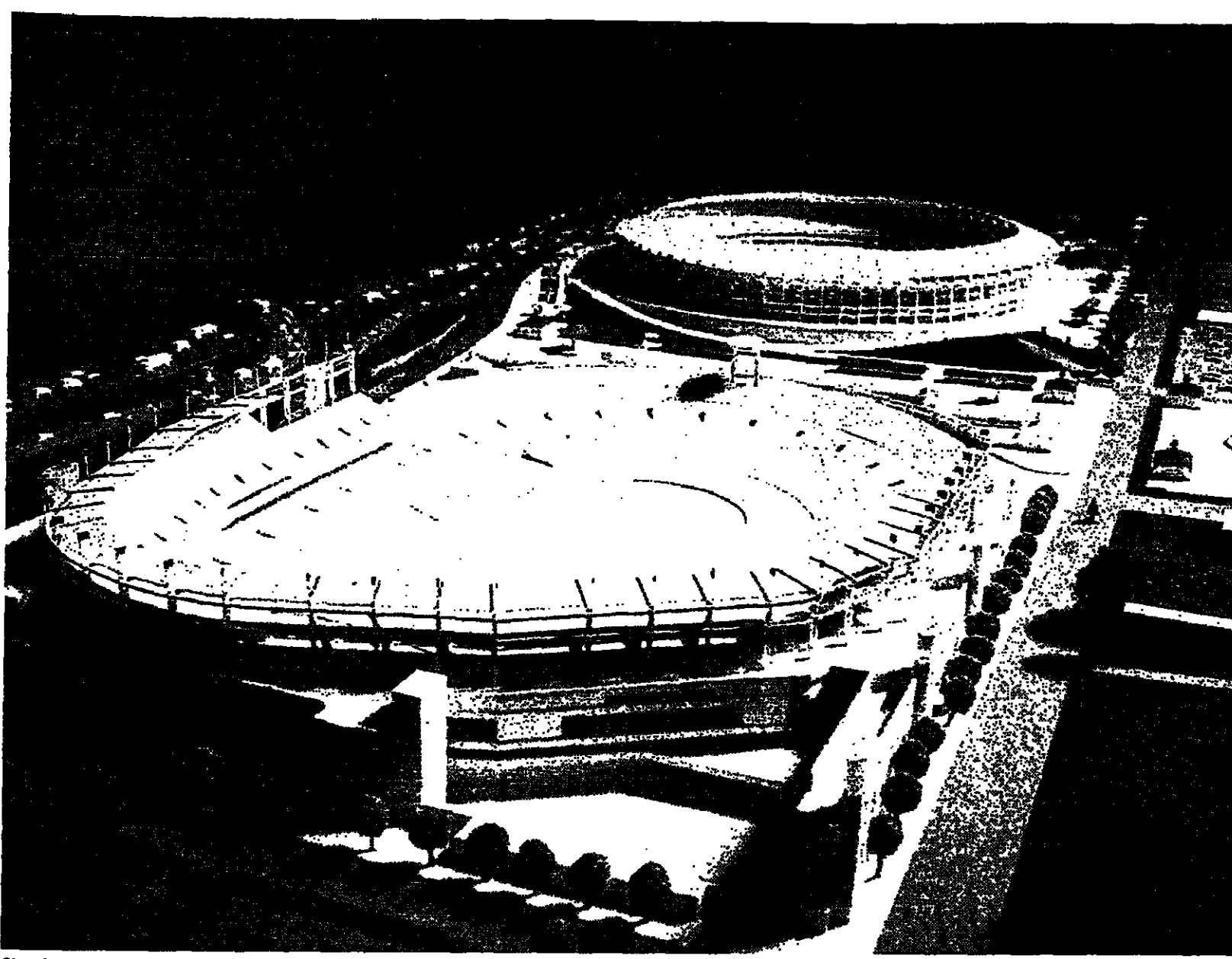
The panoramic view from Billy Payne's 12th floor office shows a jumbled, unlovely city that works for a living. There is not much green space around the centre but one of Payne's many sources of pride is that the Atlanta Committee for Organising the Games, of which he is founder, chairman and chief executive, will demolish streets of tyre depots, scrap dealers and junk shops, to provide a 30-acre park in the heart of the city.

Other demolition plans reveal Atlanta's gung-ho spirit. The 50,000 seat Fulton County stadium that is home to the Atlanta Braves baseball team is to be demolished to provide parking for the new 85,000-seater Olympic stadium that is taking shape across the street. Payne is an Atlanta native. He confided this whole wild Olympic dream in the offices of his law firm eight years ago and never looks back.

Why do the Games have to cost mega-bucks (\$1.6bn) in a city with so much sporting infrastructure already in place, I wonder?

"Well every one of you guys, accredited journalists, with a seat in the broadcast or media centres costs \$20,000 in overheads and there's going to be 10,000 press here," fires back Payne with a grin so wide it is impossible to take offence. "We are raising enormous amounts of money here but we are going to reach the target. It's always too slow for me but I'm a foolish optimist. I expected the cash to come in the mail during the first week."

In fact, the Atlanta Games will represent an enormous transfer of wealth and assets from the private sector to the public, an unusual equation for a major international sports event. Payne and his team promised that not a cent of taxpayers' money would be



Olympic vision: a model of the main Games site in Atlanta - the planned main stadium with the old Fulton County stadium, home of the Atlanta Braves baseball team, in the background

## Olympics

## The pragmatic games

Keith Wheatley goes to Atlanta to see how the city is preparing for the 1996 summer games

imposed for the Games - for example, items such as Stone Mountain tennis centre and a new swimming pool for Georgia Tech will be handed over gratis after the closing ceremony.

In the battered Yellow cab that brought me in from the airport, taxi-driver Asfaw Yamane griped that the Games have brought inflation to a city that had become a byword of success for the small-time ethnic entrepreneur.

"Rents going up man. Food going up. And now the two big taxi firms want to be the official Games cabs and cut us out," he grumbled. He is a Somali, part of a community of 20,000 Atlanta. Yamane is hard to understand and becomes hopelessly lost trying to find the offices in one of the biggest downtown streets. We repeatedly glimpse the Williams St headquarters through the one-way system.

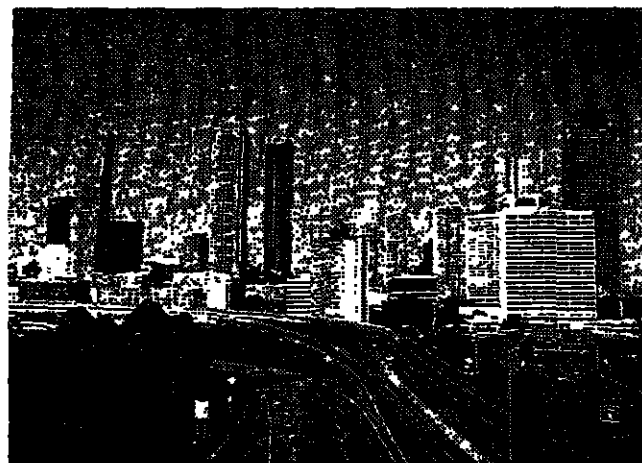
As I become exasperated, Yamane makes it increasingly clear that he cares little for the Olympics. On the way from the airport he had happily spotted the correct Atlanta PR-line. So could the Games themselves become a symbolic battle-ground between have and have-not America?

Already there have been ill-tempered political skirmishes over such issues as the use of the State of Georgia flag above Olympic venues. Since it contains the old Confederate flag, the "Stars & Bars", some black groups have condemned it as racist. The local council in Clayton County, a redneck edge-of-the-city shire where beach volleyball is to be centred, passed a pro-family life resolution which incensed gay athletes throughout the US. There was angry talk of litigation designed to slow down or even stop the Games.

"A lot of non-financial greed surfaces when you win the Games. A lot of groups have their own agendas," said Payne. "But this is not a social engineering project with the capacity to fix the ills of this city. Our job is to put on the Olympic Games; no more, no less."

Aside from local politics, there are implacable deadlines to be met. The Olympic flame arrives on July 19 next year, ready or not. All around the city, bulldozers and cranes are making it happen.

"People can't believe the main stadium will be finished on time," said my volunteer guide, semi-retired stockbroker



New Olympic: downtown Atlanta

Tom Payne, amid the tangle of steel and concrete shooting up just a mile from downtown Atlanta. "It will, because there's no unions and no Mafia. This is Atlanta."

Twenty miles out of town is the Stone Mountain state park. Bulldozers are just beginning to scrape out of the pine forest a tennis complex to rival Melbourne's, and show up the traditional US Open venue in New York. Flushing Meadow, as the slum it is, but who will use the dozens of courts once Steffi and Jim have moved on?

"I guess we're a violent people. Guns are pretty popular here," drawled Payne.

Certainly the task of hosting the Games fails to overawe many of the people involved. Six sports, such as fencing and weightlifting, will be based at the Georgia World Trade Congress, an exhibition centre with close to 1m sq ft of floor space. You could park a dozen Boeing 747s in there and have space left over. My visit coincided with Poultry Expo '95, the world's largest exhibition of its type.

"The chicken pluckers," sneered the cab-driver (Ethiopian this time), explaining how 30,000 fowl delegates had swamped every Atlanta hotel and nearly left me roomless. One end of the Expo began with farm battery units, ending 1,000 yards down the hall with car-sized friers for America's fast food outlets.

Next door to the World Trade Congress is the Georgia Dome, a covered arena with 72,000 seats and home of the Atlanta Falcons football team.

"Many of our trade shows are bigger than the Olympics. It'll be a walk in the park," said GWTC executive Kellie Cannon as she showed me around.

## Rugby Union / Derek Wyatt

## The cup of intrigue

The rugby union world is in turmoil. Next week the International Board will decide where to hold the fourth world cup. Behind the scenes there is frantic activity.

It all began 11 years ago when the committee of the International Rugby Football Board (IRB) agreed to the requests from Australian and New Zealand delegates to establish a working party to look at a first world cup. In Paris, the following March, the IRB voted for a first world cup and gave Australia and New Zealand, the joint task of organising it for 1997. The IRB also said that the second world cup must be held in the northern hemisphere in 1991 and the third in the southern in 1995.

Thereafter? Thereafter, there were no recommendations.

The first rugby world cup was a minor success. After it was finished both the Australian and the New Zealand governing bodies said in their recommendations (and I paraphrase): "Never, never, never allow a world cup to be organised by two combative rugby unions in two different countries. It must be held in one country."

Even so, the 1991 rugby world cup was held in five countries, with four different legal systems, three different currencies and two languages.

It was a PR dream - the final was played at Twickenham between the hosts, England, from the northern hemisphere, and Australia from the southern hemisphere - but a nightmare in every other respect.

The IRB realised that tournament must be held in one country. So for the third world cup, it chose South Africa before anyone knew whether there would be a peaceful transition from apartheid.

South Africa had not even participated in either the 1987 or 1991 world cups. It does not have the infrastructure to support an event that could draw the third largest television worldwide audience for a sporting occasion, after the 1992 Barcelona Olympics and the 1994 soccer World Cup. And yet it seems likely that the competition will be a success.

So, we come to decisions that will occupy the IRB on Sunday and Monday of next week, when they pick the hosts for the 1999 world cup.

There are two bids. One is from Wales. Some games would be played in England, and Ireland and Scotland are lobbying for potentially lucrative world cup games in Dublin and Edinburgh. The other is from a consortium led by Australia and involving New Zealand and Japan.

A few years ago, I asked Dudley Wood, the Secretary of the RFU, whether the IRB had considered Japan for the 1995 bid. This was before the launch of the soccer J-League, when rugby was second only to baseball in Japan. Japan was the country that would raise most

money for the game worldwide - which is now the perceived role of the championships - and have the most beneficial impact, removing the cup from the power of the old Anglo-Saxon bloc.

"No we hadn't," he said. Even in 1992 the IRB still felt that rugby union was a white man's sport.

The Welsh bid for 1999 has problems. Not least because Vernon Pugh, chairman of the Welsh Rugby Union, is also chairman of the IRB. He is caught between serving the global game and the needs of his own union.

The IRB desperately needs a permanent president, on the model of the International Olympic Committee, and a professional and impartial chief executive. The current talk is that the IRB will move its office from Bristol to Dublin.

The vote for 1999 will be close. A simple majority of the 20 votes will decide. England, Wales, Ireland, Scotland, France, South Africa, New Zealand and Australia, each have two votes. Italy, Canada, Japan and Argentina have one apiece.

The favourites are the Pacific Rim countries. They have their own five votes; this in itself represents a change in rugby union's peculiar politics since Japan has always aligned itself with Europe.

Australia sensibly organised a tour of Italy for 1986. Italy's vote is crucial - so important that Vernon Pugh (as WRU chairman) dispatched Edward Jones, the WRU Secretary, to Rome last week.

Australia recognised the Federation Internationale de Rugby Amateur, which is based in Paris. The French love gestures and, in any case, their own bid had apparently arrived too late.

The other two southern hemisphere countries - South Africa, which has been wholeheartedly supported by Australia and New Zealand for its Super-Tens competition, and Argentina - should vote for the Pacific Rim proposal. This leaves Wales with nine votes; eight from the four home unions and one from Canada. If the Pacific bid wins, the 1999 world cup will be in three countries, with three legal systems, three currencies, three time zones and two languages.

The host countries keep 50 per cent of gate receipts. So the home unions stand to lose £50m, money which could be used to develop rugby union at all levels in the British Isles. Moreover, ITV has bid £12m for the 1999 rugby world cup in Wales, it is unlikely that a Pacific Rim world cup could attract such a bid.

If the Pacific bid wins, England, having backed Wales and lost, will have to weigh the benefits of remaining in the cosy cartel of the four home unions, against the desire to join the elite of New Zealand, Australia and South Africa.

## Motoring

## Perfect luxury

Stuart Marshall is captivated by the silent new Lexus

Most Britons think of mainstream Japanese cars as small to medium sized, moderately priced hatchbacks or saloons.

There are, of course, exceptions. Japanese recreational four-wheel drives and sporting coupes are plentiful and popular. A few very high-performance models compete in the supercar niche market.

But posh executive models for user-choosers with £20,000-plus budgets, or luxury saloons for the holders of company purse strings? The public per-

ception is that the Japanese have nothing to offer. The reality is different.

A number of 2.5-litre to 3-litre multi-cylinder Japanese cars have been around for some time. The Honda Legend, Lexus GS300, Mazda Xedos 9, Mitsubishi Sigma and Toyota Camry are for executives who rate cars in the £23,000 to £33,000 bracket. The £43,293 Lexus LS400 provides board-level luxury.

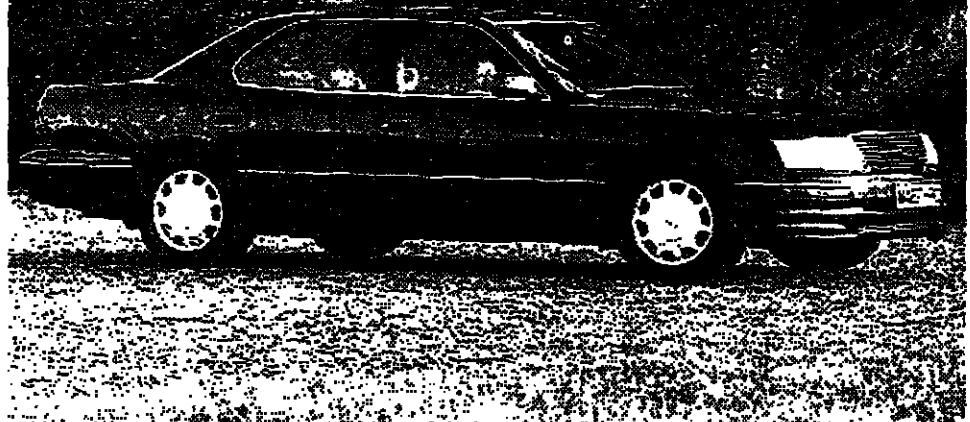
In the US, Lexus, made by Toyota, and to a lesser extent Infiniti, Nissan's upper-class marque, have severely dented

sales of upmarket European cars such as BMW, Jaguar and Mercedes-Benz. But not in the UK - or at least, not yet.

The original Lexus LS400, looking as if its father might have been a Mercedes-Benz S-Class and its mother a 7-Series BMW, came on to the market five years ago. Unusually quiet even by luxury car standards, it was built to match the quality of the best of its rivals. Its reliability was unequalled. Its ability to retain its value brought smiles to fleet managers' faces. Toyota's first stab at a European-type luxury saloon was a triumph.

The 1995 Lexus LS400 is even better. Weight and aerodynamic drag have been reduced and a little more interior space created. The front seats are more comfortable and those sitting on them feel more secure on fast corners.

Output of the turbine-smooth V8 has gone up from 241 to 260 horsepower. When idling, one



New Lexus LS400. Sepulchral, totally refined but rather anonymous

has to check the rev counter to make sure the engine is still running.

Bearing in mind that the Lexus was already the quietest luxury car available, reducing the noise levels further was quite a feat. Cruising at 81mph/130kph and less than 3,000rpm, the only audible sounds made are a whisper of wind noise and a distant murmur from the tyres.

The boot is wide but none too deep from front to back, though this is a reflection of the generous rear-seat legroom.

Nothing is perfect, but few cars get nearer to it than the Lexus LS400.

When I sampled Nissan's QX

two-litre manual and 2.5-litre automatic in Portugal last month, they proved very comfortable on the kind of country roads that hardly exist any more in western Europe. The smaller engine was even sweeter than the 2.5-litre. Combined with automatic transmission, it would be a good car for a brand-loyal though aspirational Nissan Primera user.

The QX goes on sale in Britain later this month. Prices will range from £17,000 to £23,000.

A new kind of car tyre now available is claimed to reduce fuel consumption by up to 5 per cent and lessen road noise without sacrificing grip or tread life.

Michelin's Green X Energy range is first being offered for cars with maximum speeds of up to 130mph/210kph. The "T" speed category Energy MXT80 and MXT are for family and fleet models with a 118mph/190kph maximum speed; the "H" speed category Energy MXV8A is for faster executive and sports cars capable of 130mph/210kph.

Michelin says the tyres save fuel because it has lowered their rolling resistance without harming grip or abrasion resistance. The company will not say exactly how this has been achieved, but it involves weight reduction and exploiting advanced rubber technology.

## Scotch eggs

Auguste Escoffier, founder of modern cooking, recorded in *The Complete Guide to the Art of Modern Cooking*, that there were 256 ways to cook an egg. Most of them were deposited on my face after I predicted that Scotland did not have a hope of winning in France.

The Scottish win against France was fully deserved. The critical last try of the last movement of the game involved two contrasting players, Gregor Townsend and Gavin Hastings.

Townsend has spent his short rugby career playing in Scotland for Gala (though he joins the southern exodus next season as he has signed for Northampton) and in Australia for Warrigah. For Scotland he has played at both inside centre and fly half. For Warrigah, he played at fly half - his best position - and time and again gave game-saving displays.

It is interesting that his best rugby has been played down under. Rob Andrew spent a season in Sydney, with Alan Jones, the then guru of world rugby coaching, and returned a better player.

Townsend has not yet been

able to bring his cavalier approach to a conservative Scottish side more used to defending than attacking.

Hastings' try under the post against the French was a wonderful way to silence his critics. It meant that Scotland can still win the grand slam and are the only team who can stop England doing so.

Conversely, the Welsh, last season's champions, have played two and lost two. Though the Scottish have had to make changes due to injury, they could spare the Welsh.

It is difficult to know how the Welsh can hope to reach the last eight of the rugby world cup in June when they refuse to countenance a game beyond their half back. Their game plan has failed to include directions to the try line. Against England they managed only two attacking moves both of which could have led to scores - both failed because of the pressure the England defence applies these days.

Scotland, revitalised after a miserable two years, need to win by a large margin so that they go to Twickenham in a fortnight's time to snatch the grand slam.

Derek Wyatt

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## BOOKS

# Delusions of monetary grandeur

Geoffrey Owen reviews an insider's guide to Britain's post-war economic policy

Who should be blamed for the poor performance of the British economy since the second world war? The list of culprits includes incompetent managers, bloody-minded trade union leaders and the "gentlemanly capitalists" of the City of London, with their contempt for the sordid activities that take place somewhere north of Watford. Another possible target, which forms the main theme of Eric Roll's brief but judicious review of British economic history since 1925, is government: did politicians impose on the British economy burdens which more enlightened countries managed to avoid? The answer, which emerges from this book, is that errors in economic policy were unhelpful but probably not decisive.

The most serious and persistent weakness, in Roll's view, was the failure of policy-makers to recognise what Adam Smith described as "the real mediocrity" of the country's circumstances. Successive administrations - and Roll distributes the blame equally between Labour and the Conservatives - tried to do too much, failing to make realistic choices between their international aspirations and the demands of the domestic economy. "Prestige", he writes, "played too important a part when the bal-

ance of claims had to be struck."

In dealing with the problem of sterling balances after the war, for example, the government's attitude involved "an anachronistic grand-seigneurial pose, a hankering after an unsustainable powerful international position for sterling." The Churchill government, he thinks, was almost certainly wrong in the early 1950s to reject the so-called Robot scheme, which would have made sterling convertible at a floating exchange rate. The political repercussions of the plan in the

WHERE DID WE GO WRONG? FROM THE GOLD STANDARD TO EUROPE  
by Eric Roll  
Faber and Faber £12.99, 143 pages

Commonwealth and the US would have been substantial, but Roll had "a boldness which was singularly lacking" in other policy areas. In particular, Britain's reluctance to accept a more modest role in the world contributed to the "uncer-

tainties and vacillations" which characterised the reaction - in the 1930s and later - to European integration.

As professional economist, senior civil servant and banker, Lord Roll has been close to the centre of power for a long time and he has provided an illuminating insider's guide to post-war economic policy. In the end, though, the most others who have written books with a similar title, he fails to provide a satisfactory answer to his own question. At the heart of Britain's

problems, he suggests in his conclusion, lies "a very imperfect adaptability to changes in circumstances of the magnitude that have occurred" during the period covered by the book. But what are the sources of this inflexibility and could governments have done more to remove them?

Roll shows a remarkable lack of sympathy for the one post-war government - that of Margaret Thatcher - which cannot be accused of lack of boldness. He criticises its "extreme fervour and

ideological zeal" in relying on the monetary weapon as the sole means of achieving non-inflationary growth and its "stubborn neglect of other policies": the explicit rejection of consensus as a condition for economic reform was "equally unhelpful".

Yet it is at least arguable that the rigidities of which Roll rightly complains stemmed from too much consensus in the earlier post-war years and a refusal to challenge conventional wisdom. Britain needed to be jolted out of its post-war inertia. A Thatcher-type shock, administered in the 1950s, might have spared the country some of the pain it went through 30 years later, but at that stage neither the politicians nor their advisers had the stomach for anything so disruptive.

## Brave lament for the human condition

In our irreligious age, this is a work of rare power and extraordinary insight, writes Peter Aspdren

It is difficult to know quite where to start with this remarkable little book. It is at the same time a lamentation and a celebration, movingly lyrical and apologetically vulnerable and assertive.

It deals with the most profound symptoms of the human condition with a subjective intensity that is almost unbearable, but it is never impossible to put down. It should be read all at once, for its changes of tone and pace are part of the author's argument for the need to confront, rather than evade, the formidable fluctuations of everyday life. "Keep your mind in hell, and despair not".

Gillian Rose is a professor of sociology at Warwick University, and has written some of the most stimulating, challenging and occasionally impenetrable works of philosophy, theology and political and social theory in contemporary British academic life. The first part of *Love's Work* is a rambling collection of autobiographical anecdotes based on her "three cities of death", New York, Auschwitz and Jerusalem.

Portraits of childhood, adult friendships, love affairs are drawn with an unsettling combination of candour and abstraction: "We knew we wanted each other in the way those who become lovers do - with simultaneously a supernatural conviction of unexpressed mutual desire and a mortal uneasiness concerning declaration and consummation."

A love affair breaks down; the pain is immense. But just as the author's poetic flights threaten to crash into spurious overstatement - "Let me then be destroyed. For that is the only way I may have a chance of surviving" - she abruptly shifts mood by revealing, half-way into the book, that, in her forties, she has advanced ovarian cancer which has failed to respond to chemotherapy and has spread to other parts of the body. Suddenly the metaphors of suffering and

LOVE'S WORK  
by Gillian Rose

Chatto & Windus £9.99, 136 pages

destruction take on a new, more urgent meaning: suddenly love's work becomes inextricably bound with life's end and death's impending embrace.

But Rose remains one step ahead. Last we lose ourselves in the fresh round of abstractions, she goes on to chronicle in insufferable detail what it is to bear a serious illness attempting, *en passant* and not without humour, a first-ever ethnographic account of living with a colostomy. Amid the bitter sideswipes - "surgeons are not qualified for the one thing with which they deal in the way those who become lovers do - with simultaneously a supernatural conviction of unexpressed mutual desire and a mortal uneasiness concerning declaration and consummation."

difficult to articulate the deadly blandishments of the exotic language of cosmic love."

It comes as a relief when these harrowing accounts give way to more anecdotes, more portraits (in which death continues to hover noticeably near) and even some "straight" philosophy.

Drawing on the mythical account of Camelot and King Arthur's need to turn against his wife and his best friend, she extrapolates a lesson for those who modishly attack the iron rule of reason: "Post-modern philosophers say that philosophy is founded on the totalitarian ideal of Camelot, whereas philosophy is born out of the sadness of the King, to whom it offers the consolation of reflection."

I wish Gillian Rose well in her hope to "pass unnoticed, which is why I hope that I am not a part of the world", and also hope that the doctors who have predicted "many months" of good health shall be proved unnecessarily pessimistic. Whatever fate awaits her, she has written a book of rare power. We have, in our irreligious age, too readily succumbed to the graceless language of those who have over-reached themselves; of those who blandly describe the "control" of diseases which have already lurched out of their grasp; of those who dispense "miracle" drugs and boast of "life-support" machines because they cannot bear to talk of death. Love, perhaps, can take us further; or maybe it simply has too much work to do.

## Gay and responsive

Iain Finlayson looks at a growing sector of publishing

An optimistic, perhaps opportunistic publisher recently asked a novelist friend of mine to suggest a list of neglected classics of gay fiction, with a view to republishing them for the gay book-buying public. My friend was obliged to tell the publisher that no such backlist of classic gay writing existed, at least not in the form he expected, because "gay", in terms of what we now recognise as a cultural community, is such a recent concept.

There has always been homophile, homosexual, and frankly homosexual writing, overt or covert according to the tenor of the times in which it was written, but what is known is already in print, published by mainstream and specialist publishers, and more or less readily available in paperback in the increasingly large and profitable gay sections of bookstores.

What is new is the regular outpouring of generally high-quality gay fiction that is finely attuned and subtly responsive to gay life. It has evolved since the late 1960s. In his introduction to *The Penguin Book of Gay Short Stories*, David Leavitt (himself a successful gay writer of fiction) lists a short bibliography of seminal gay novels (*The Lord of the Flies*, *Dancer from the Dance*, *The Family of Man*, *The Front Runner* and others) which, he complains, idealised gay experience, in which only the beautiful were allowed to make beautiful love in a closed (closeted) world of their own desires. Well, yes: what else is true romance all about?

This was not the world - fictional or real - Leavitt wanted when he began writing fiction, but "I saw no advertised alternatives." Of course,

there were, and the first half of Leavitt's anthology rounds up the usual suspects (as indeed they might have been judged in pre-Wolfenden days): D.H. Lawrence (an idyll), E.M. Forster (a fantasy), J.R. Ackley (growing up gay), Christopher Isherwood (trouble with Sally Bowles in Berlin), Noël Coward (a theatrical tour of Europe), Graham Greene (*My Secret Love*), and others. But that old chestnut, a somewhat surprising, delicate contribution from Sherwood Anderson; a less surprising extract - now we

THE PENGUIN BOOK OF GAY SHORT STORIES  
edited by David Leavitt and Mark Mitchell  
Penguin £7.99, 355 pages

MEN ON MEN 5  
edited by David Bergman Plume  
Penguin £7.99, 347 pages

have read the letters - from John Cheever's *Falconer*, a minor piece from Donald Windham, and a deliciously understated extract from *A Glass of Blessings* by Barbara Pym.

These historical stories and extracts from novels preface a collection of modern gay writing, some of it distinguished and perceptive, by Paul Bailey, David Plante and Christopher Coad, and the tight AIDS story, *The Times As It Knew Us* - reading like an ensemble piece that might have been a play observing the classical conventions - by Allen Barnett.

Leavitt's anthology, first published in 1994 and now reprinted,

reflects the diversity that "gay" now encompasses.

*Men on Men 5* is the fifth volume in a continuing series of new gay writing by mostly young American gay men. It is nothing new to say that the AIDS crisis has altered the perception of gay life and love in the past 15 years, and gay fiction nowadays is really rather respectable, safe (in every sense) and somewhat sentimental.

We require comfort, of course - and we get it, sometimes, through tragedy, but also by taking responsibility through positive action. *Men on Men* is responsible and positive. The stories are touching, tinged with sorrow and plangent with tragedy. They are all memorable for a moment; their witfulness, ruefulness, and wry and witty irony amounts to understatement.

What I miss, personally, is the prick of pessimism, the bile of bitterness. Modern gay fiction (perhaps with the exception of Christopher Coad's *Suck Times*) is more amiable than amare. There is no Dennis Cooper in this collection, and Larry Kramer - who is capable of bitterness - here presents a charming story of old age. And this story, oddly, gives me some hope for the development of gay fiction: the writers who have chronicled the culture of "gay" since the 1970s and survived the age of AIDS, are now growing into middle age and beyond. Edmund White, when not looking back to write historical fiction and to complete his trilogy of gay life, is beginning to treat life beyond gay disco, and others will - I hope - follow.

I look forward to reading stories by the gay equivalents of William Trevor and V.S. Pritchett.



Design for the Palais des Industries Diverses by Ferdinand Dutert and Victor Contamin to mark the 1889 World Exhibition, Paris: from Taschen's illustrated survey of architectural competitions from 1792 until 1992 (248.99 for two volumes, 340 and 400 pages), edited by Coes de Jong and Erik Matijé.

## A tour of science's wild frontier

Nanotechnology is, uncontroversially, technology that operates at the very smallest scale. It gets controversial as soon as you try to determine what that scale is. *NANO!* is about the most extreme definition of nanotechnology: the manipulation of individual molecules. True, nanotechnology in this form does not yet exist, but Ed Regis believes that it will arrive, sooner or later.

The consequences may include unlimited material abundance, an end to starvation and disease and the indefinite prolongation of life: on the down side, if things got out of hand "assemblers", tiny self-replicating machines, might flood the world and destroy the entire biosphere. On the whole, it is as well to be prepared.

The principal advocate of nanotechnology is K. Eric Drexler, an MIT-trained scientist variously regarded as a visionary and a

crank. He was not the first person to think of nanotechnology. Nobel laureate Richard P. Feynman beat him to it by a good 20 years, but Drexler has come up with by far the most detailed description of how it might work.

He envisages armies of assemblers, which by putting together molecules in precise formations could build anything that is physically possible, with no polluting by-products. Doctors would have complete control of human biology: assemblers let loose in the bloodstream could repair damaged cells, destroy cancerous ones, even restructure an individual's DNA. If it all worked, life would become one long party.

Regis is a wonderfully lucid explainer of difficult concepts, but displays an annoying jocularity and an emphasis on personalities that seems misplaced. More seriously, in putting across the flow of the argument Regis ends up sliding round a

lot of the obstacles that stand between us and the nano-paradise.

There is a comedy sketch in which a man goes to the Patents Office with an idea for a pill which can cure all diseases, enhance your intelligence and make you fabulously attractive. "Can I see one?" asks the patents man. "Ah," says the inventor. "I haven't actually

NANO!  
by Ed Regis

Bantam Press £16.99, 307 pages

made one yet, but it seemed such a good idea that I wanted to stake my claim before anybody else thought of it." Much of *NANO!* reads like this.

True, Regis points to a number of recent scientific breakthroughs. But the gulf between the halting, approximate technology so far achieved and the super-sophisticated mechanisms foreseen by

Drexler is huge: it is as if the man with the miracle pill pointed to the aspirin as proof that his idea was sound.

Drexler's basic argument is that everything he proposes has its equivalents in nature - you could regard human beings as super-sophisticated machines built by self-replicating assemblers. If nature can do it willy-nilly, why should we not be able to do it by design?

But to show that something is possible in principle, even that it is technically feasible, is still a long way from showing that the technology is practical on a large scale. Nuclear power used to be seen as a potential source of limitless cheap energy; the theory was fine, but the technology has turned out to be anything but cheap.

Still, *NANO!* is an entertaining tour of science's wild frontier. And who knows, Drexler might be right.

Robert Hanks

If you are looking for a biography of our greatest naval officer of the century, Admiral "Jacky" Fisher you may decide to steer clear of Jan Morris's new book, *Fisher's Face*. It is not, really, a biography, although it is great fun and is probably more successful than a shelf of conventional studies in bringing to life Britain's second most famous sailor after Nelson.

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Morris has been fascinated by Lord Fisher for 40 years and nominates him as "one of my life's companions", she describes this volume as a "caprice" but it reads more like a love letter - no, a swoon.

It is hardly surprising, then, that the detail is pretty thin, particularly for the early career of the boy from Ceylon, "an orphan of Empire", who joined the Royal Navy in 1884 as a 13-year-old midshipman without benefit of a naval background, and was twice to be First Sea Lord.

"If you are a woman," writes Morris in a typical passage, "you are likely to be charmed off your

feet..." She is discussing, as she frequently does, Lord Fisher's undeniably distinctive face, which is strikingly un-Victorian. He was maliciously rumoured to have Asian blood in his veins and, although a great friend of Edward VII, Winston Churchill and Lloyd George, he was always the outsider, the radical, the dangerous type whom Establishments are wise to co-opt.

He had not just charm but charisma, ferocious energy, a sense of humour, a scheming and often ruthless intelligence. He was a fanatical dancer, he was religious and loved

sermons, he was a great flirt, happily married for 32 years but in old age besotted with the Duchess of Hamilton (a Nelsonian reference if ever there was one). He could come

FISHER'S FACE  
by Jan Morris  
Viking £16, 245 pages

up with the wildest schemes: at the time of the Fashoda crisis, for instance, he made a plan to abduct Captain Dreyfus from Devil's Island, and in the world war he suggested shooting German prison-

ers in retaliation for the Zeppelin raids. Churchill said that to be with Jacky was like breathing ozone.

All of which is to leave aside Fisher's extraordinary importance in the total transformation of the Royal Navy, so that it was turned from being a mastodon of imperial pageantry into an invincible machine of European conflict. Morris is very interesting on this, in her chatty way. She shows why Fisher was a great visionary of naval warfare (curiously, he never commanded a ship in action). He withdrew Britain's warships from their worldwide imperial role; he

switched the Navy to oil and turbines; he invented the battle-cruiser; he was the father of submarines, which in those days were widely thought to be unsporting; and, most famously, he created, and built at extraordinary speed, the Dreadnought battleships.

With the coming of war in 1914 - when, in a sense, his task was complete - Jacky at 73 was recalled by Churchill to be First Sea Lord and the story turns sour. Against his better judgment, he supported the Dardanelles invasion; in May 1915 he attempted for the umpteenth time to resign. In one sense, he ran

away, he literally disappeared from his office, and George V said he should have been hanged. But he was right to foresee the nightmare of Gallipoli, and there only remained the disappointment of the stalemate at the Battle of Jutland.

The constant intrusion of Morris's own, no doubt dramatic life into the narrative will probably drive some readers back to the weightier biographies by people like Richard Hough and Richard Ollard. But there are frequent bonuses: for example, Hough and Ollard do not allow themselves to say of Fisher's mother that "in photographs she looks terrible", and they certainly do not wear their passionate hearts so unashamedly on their sleeves.

J.D.F. Jones



## BOOKS

## Bond dealers face moral bankruptcy

Tim Dickson enjoys a not-so-implausible tale of irresponsible greed in modern financial markets

If someone had written a business novel in which a 28-year-old Singapore-based trader bets the assets of London's oldest investment bank - and loses - it would surely have lacked all credibility. Until a week ago, that is.

Something of the same implausibility pervades the story of *Bombardiers*, in which a high flying firm of West Coast bond salesmen goes from one daring deal to the next, ultimately and absurdly attempting what amounts to a corporate takeover of the Dominican Republic.

Whether Wall Street and the CIA could ever be in cahoots on such an

outrageous "rescue" mission, though, is hardly the point. Po Bronson's book is intended as a wry, entertaining and wholly one-sided commentary on the greed, cynicism, naivety and sheer irresponsibility of those who work in modern financial markets, and as such it is fun.

Comparisons will no doubt be drawn with *Bonfire of the Vanities*, but Tom Wolfe's book was about

the moral destruction of an individual - one whose values had been distorted by his white, privileged middle-class world and who believed that Masters of the Universe could escape the consequences of their own actions. In *Bombardiers* the focus is on the firm - and the system which spawns it - as the source of moral bankruptcy.

Such a thesis, of course, will be

BOMBARDIERS  
by Po Bronson

Secker &amp; Warburg £15, 319 pages

rejected by many as hysterical. Yet though Bronson clearly has one or two ideological reservations about what he calls a "filthy profession" in his very first line, the oversized characters around which the story

develops are no doubt the product of vivid first hand experience.

The hero is Sidney Geeder, King of Mortgages at Atlantic Pacific, whose ability always to unload his "quota" of bonds seemingly stems from sheer loathing of the job. Sid is trapped at the firm, however, by \$4m of company stock which he cannot cash in for nine months. He is joined by Mark "Eggs" Igino, the firm's rising star who also sees

through the whole charade, inspires frantic office trading in breakfast futures to make a mockery of it, and consternation when he actually demands to see a bond ("I would sleep better at night knowing I wasn't part of some big hoax. I'd like to know they really exist"). Other characters include Lisa Alisa ("She believed she was addicted to love") and the sales manager Coyote Jack whose

ruthlessness makes the real-life "neutron Jack" (Weich of GE) seem like a pussycat.

All of them may be pretty wooden but the din and smoke of battle in the trading room - the brutality of it all - seem authentic enough. In any case the point about the information economy as depicted here - "the most efficient system in the world at making the rich richer" - is that individuals do not matter.

This is indeed a bleak conclusion and one that can be dismissed by readers who approach the book as harmless satire. But there are some disturbing mirrors for those who care to look.

## Shadowy portrait of Deng's world

The full story at this critical point in China's history would be fraught with risk, writes Colina McDougall

China is on the threshold of seismic change as the health and influence of the 90-year-old patriarch Deng Xiaoping ineluctably declines. His daughter Maomao, his constant companion and interpreter of his mumbles, hinted a few weeks ago that death was not far off. The news in mid-February of a corruption scandal fingering Deng's family friends and waiting close to his son Zhifang, suggests that the vultures are gathering.

At this critical point in China's history both books should be welcome, particularly Maomao's biography of her father. But neither provide much clue to what happens next. Maomao's biography is an interesting and important record, but it covers the years only up to 1960. As for Schell, he is content to survey the recent past and barely considers the future.

Readers must wait a few years, Maomao says, for her second volume. This will disappoint those who hope to get some insight into recent events, but must reflect a wish to avoid trouble. Accounts of Deng's role in traumatic happenings like the 1960s anti-rightist campaign and the Tiananmen massacre would be fraught with the risk of offending a future leadership.

Maomao has written her book in a curious mixture of Chinese jargon ("mammoth peasants, revolutionary storm" for the Boxer rebellion) and People's Daily speak ("the communist side was lit up with the radiance of victory"). It is spiced with personal reminiscences from elderly revolutionaries (important because their children are still around).

Though translated from the Chinese, the confident style and poetic similes ("The soft October breeze touched the faces of the revolutionary

fighters... their thoughts were as thrilling as the surging river") are probably her own. But the resulting jumble is hard to digest. The China neophyte will find it difficult to grapple with the lists of civil war campaigns and participants which form much of the book. It is not easy to follow Deng's setback as commander in the civil war of the 7th Corps, or of his ostracism by the allegedly "leftist" central committee in 1933, when he was virtually imprisoned.

She skims lightly over his failed second marriage, when

DENG XIAOPING MY FATHER  
by Deng Maomao  
Basic Books \$27.50, 490 pages

MANDATE OF HEAVEN  
by Orville Schell  
Little Brown £18.99, 464 pages

his wife, An Jin, left him for his main political adversary (and former colleague), Li Weihan. She may have been wise to do so, since Li Weihan's son, Li Tieying, is now an important Chinese party leader.

Deng has been married three times, she tells us, first to a girl who died soon after childbirth (as did the baby), and after An Jin, to his present wife and mother of his children, Zhuo Lin. Maomao is his third daughter and fourth child.

Deng's eldest son, Deng Pufang, was paralysed in a fall fleeing from Red Guards in the Cultural Revolution. Deng Zhifang, the youngest, is the businessman. Though Deng Xiaoping left his own parents' house at the age of 16, he gives every sign now of enjoying family life and grandchildren. A shadowy portrait of the great man does emerge. "Father is an introvert and a

man of few words", Maomao says.

This is confirmed by how little he seems to have contributed to the book: most first-hand accounts of events have come from others. From his record he is clearly a bold, practical man, not highly educated, but marked by the broadening experience of work in France and Moscow in the early 1920s.

For all its hagiography, Maomao's book provides welcome new insights. Orville Schell's *Mandate of Heaven* has few. Half the book is taken up with a detailed account of the Tiananmen protests of 1989 and their aftermath, mostly based on long-published accounts.

When Schell writes about the Deng-inspired changes of the 1990s, the book brightens slightly. He covers the main strands of 1990-94, Deng's trip to the south in 1992 and the consequent boom in business. He does a professional job, lacking this with eyewitness accounts and quotes from free-thinking Chinese.

His interviewees include the electrician, Han Dongfeng. Han was a key figure in the 1989 protests who set up China's first non-government trade union. He alarmed the Chinese government far more than the students because of his potential to disrupt China's urban centres. But his importance today is minimal because exiles no longer exert much influence.

Schell carries a short biography of Deng, noting Henry Kissinger's unforgettable comment on the Chinese leader, a "nasty little man". Anecdotal coverage of this kind may grab the attention, but it is not particularly valuable. Deng Maomao is worth reading because of her unrivalled sources and considerable research, while Schell provides little more than a racy compendium of events.



The New Yorker Roger Ballen spent two decades photographing poor whites in the heart of rural South Africa. The controversial pictures, including this 1992 portrait of Sergeant F. de Bruin, an Orange Free State prison warden, are published in "Platzeland" (Quartet, £25). An exhibition of the photographs opens at the Royal Festival Hall in April.

Writers from the Arab world are fast becoming some of the most potent and controversial voices in contemporary literature

## Haunted by the spectre of exile

Joan Smith talks to a leading Lebanese novelist

Hanan Al-Shaykh's Lebanese publisher has not yet decided whether to take on her new novel, *Beirut Blues*. The problem, he admits, is politics, not literary merit. "You are living in London", he reminded her nervously. "My offices face those of Hizbollah."

There are no problems in London where Al-Shaykh's growing reputation has prompted a move from the small independent imprint Quartet, which published two earlier novels to rave reviews, to the mainstream publishing house Chatto & Windus. But Al-Shaykh, who is coming to be regarded as one of the finest Arab novelists of her generation, is no stranger to censorship.

Her books are banned in the

BEIRUT BLUES  
by Hanan Al-Shaykh  
Chatto & Windus £14.99, 279 pages

Gulf States, largely because of their frank handling of sexual matters, and their distribution elsewhere in the Middle East is dependent on the whims of unpredictable regimes. *Beirut Blues* has been published in Egypt, part of a curious reciprocal trade in which Lebanese authors turn to Cairo if they want to write about their native country, and Egyptians use Beirut to launch novels critical of the regime at home.

Back in London, her adopted city, Al-Shaykh's first play, *Dark Afternoon Tea*, one of five short pieces in a season by women authors, is at the Hampstead Theatre until March 11. This is in addition to other novels and two collections of short stories which have yet to be translated into English - a respectable body of work for a 48-year-old author who has also had a successful career as a journalist.

Unsurprisingly, the spectre

of exile haunts Hanan Al-Shaykh's work. She was brought up in Beirut, a city of markets and elegant boulevards which, after years of civil war, is intact only in her imagination. Like many Lebanese who grew up before the war, she is ambivalent about the current rebuilding programme which has swept away familiar landmarks as well as rubble. "When I used to go to the souk I passed the fish market," she says sadly. "Now it's a parking lot. The whole centre of the city is demolished."

She left Beirut, where she worked as a columnist on the newspaper Al-Nahar and published two novels, when the civil war broke out in 1975. "All my life changed completely," she says, the pain still audible in her voice. "All my world collapsed in Lebanon." She and her husband, an engineer and businessman, came to London for two years, then moved to Saudi Arabia. After cosmopolitan pre-war Lebanon, the Gulf States struck Al-Shaykh as "another planet - like science-fiction".

Although she comes from a Shia family, Al-Shaykh is resolutely uninterested in religion and has always refused to cover her abundant black hair, even in Saudi Arabia. Eventually, the moment came when she was forbidden to walk to her car unless she wore a headscarf. "That night I thought, 'I'm going to leave,'" she says. The couple returned to London.

Out of that experience came *Women of Sand & Myrrh*. Al-



Hanan Al-Shaykh: sensual

Shaykh's vivid and unsettling account of the lives of a group of women living in an unnamed Middle-Eastern country. Inevitably banned in Saudi Arabia, it contains a scene in which a local woman is menaced by an angry crowd because her newly-arrived Lebanese friend is not wearing a veil. "Buy the lady an *abaya* (cloak) and go to your homes," an angry shopkeeper, herself veiled in black from head to toe, screams. "May Heaven's door be barred to her."

Although her recent novels focus on the contentious issue of the status of women in the Middle East, Al-Shaykh is uncomfortable with labels like feminist. "Every woman is a feminist," she insists, a touch evasively. "In the west, they always want somebody to be a spokeswoman, lumping everything together. It's like a big dress to say I'm a feminist - you have to really fill it. You

have to fill the shoulders and the waist and the length. I don't feel I can."

It was this fear of being pigeon-holed that persuaded her, at the age of 19, to write her first novel - *Suicide of a Dead Man*, as yet unpublished in Britain - in the voice of a middle-aged man. But events in the Middle East have drawn her increasingly to use her fiction to investigate how women get by in theocratic states, the compromises they have to make and the little spark of rebellion that keeps them going. "The situation of women makes me write in such a way," she admits. "I feel I've anger in me and I show it."

Al-Shaykh's family background is unusual. Her father's first wife died young, leaving three small sons, and he married his sister-in-law. Hanan's mother, who was only 15. "My mother is illiterate," Al-Shaykh explains; "her whole education was from Egyptian films. That's why she had wonderful taste. She was imitating actresses all the time." It may have been this exposure to another more romantic world that prompted Hanan's mother to elope with her lover when she was in her early 20s, precipitating a divorce and a huge scandal.

Al-Shaykh did not see her mother again for two years and she constantly rebelled against her father, a deeply religious man. "I felt very restricted," she says, although she somehow summoned the courage to disobey his order never to go out without a headscarf. "I

remember telling him, I don't think God really wants us to hide our hair. I even liberated my sister, who was older than me."

There is a faint echo of this old argument in *Beirut Blues* when the narrator Asmahban (named after the glamorous popular singer) listens sceptically to the arguments of the Modern Sheikh, a persuasive representative of Hizbollah who wears jeans and perfumes his beard. Asmahban does not have much sympathy for the warring factions which have torn the city apart, blaming them equally for the shelling, power cuts and food shortages which have reduced life to subsistence level.

Later in the novel the Modern Sheikh's star wanes and Asmahban hears he has been arrested. By then she is grappling with a more immediate dilemma, whether to stay in shattered Beirut or go into exile in Paris with her lover, Jawad. Like Al-Shaykh's earlier novels, *Beirut Blues* is frankly erotic, documenting Asmahban's sexual feelings as fully as her despair over the destruction of her city.

Al-Shaykh appears genuinely mystified by her reputation as a daring, sensual novelist, although this turns out to be another reason for her Lebanese publisher's hesitation over *Beirut Blues*. "You know I stand by you," he told her, fearing another ban. "But I want to make money as well. Do you have sex in this one like in the others?"

Recalling the conversation in her Mayfair flat, Al-Shaykh is obviously still shaken. "Sex is natural," she protests, unable to understand the fuss. She has probably underestimated the impact of her frankness not just in the conservative Arab world but in the west, where few writers share her ability to express the sensual aspect of women's lives in high quality literary fiction.

## Poignant fables of human weakness

This charming but deceptively profound book of fables, loosely based on the classic tales of the Arabian Nights, represented something of a departure for Naguib Mahfouz when it was first published in Arabic in the late 1970s. After the thrilling realism and Galsworthy-like attention to narrative detail which had characterised his previous work, *Arabian Nights and Days* came like a liberating flight of fancy from this most intelligent of contemporary novelists.

Yet the themes of the book, translated with great feeling by Denys Johnson-Davies for his first English publication, are not so very different from those explored in his kaleidoscopic masterpiece, *The Cairo Trilogy*.

We are in a medieval Islamic city, ruled by a corrupt body of governors and chiefs of police, observed by malevolent demons and listless genies who occasionally decide to act in the affairs of humans, with terrible results. In this fantastical universe which blurs the lines of dream and reality, the path to truth and the morality of decision-making become impossible to determine.

All the city's citizens take turns to join the various debates of the day at the focal Café of the Emirs; all of them are touched in some way by the bizarre magic which breaks out at periodic intervals. Rulers are puzzled, holy men speak in riddles, religious sects are persecuted and earnest young men who

want to do good manage inadvertently to destroy themselves and their families. The most poignant tale concerns Fadil Saman, a virtuous, honest man, and his encounter with a stranger who grants him a "cap of invisibility", which he may wear to make himself invisible to the world - provided he does not commit any evil, nor follow the dictates of his

ARABIAN NIGHTS AND DAYS  
by Naguib Mahfouz  
Doubleday £15.99 228 pages

conscience. Caught in this moral vacuum, Fadil performs minor, stupid pranks which turn out to have disastrous consequences.

Soon, he realises the existential hopelessness of his position: "Fadil Saman realized that he had become as good as dead - after today he could have no life other than under the cap, the life of some accursed spirit wandering in the darkness, a spirit who could move only in the spheres of frivolous pastimes or evil, deprived of repentance or of doing good."

It is this twilight of moral equivocation which Mahfouz

explores with such remarkable effect, a world in which both genies and terrestrials shroud themselves in disguise and hide in dark alleyways to observe the effects of their actions. The book can be taken as a critique of contemporary Islamic society, but Mahfouz's message is never shrill, nor simplistic.

The final tale, of the repenting sultan who has a glimpse of a blissful after-life but who loses it through over-curiosity, takes on a rich, thematic quality as he is forced to listen to the words of a "man of experience": "It is an indication of truth's jealousy that it has not made for anyone a path to it, and that it has not deprived anyone of the hope of attaining it, and it has left people running in the deserts of perplexity and drowning in the seas of doubt; and he who thinks that he has attained it, it dissociates itself from, and he who thinks that he has dissociated himself from it has lost his way."

It is a subtle conclusion to these beautifully-drawn fables of human weakness and divine inscrutability from one of literature's most potent voices.

P.A.





## COLLECTING

## Fair game for treasure hunters

Susan Moore trawls the crowded calendar of antiques and art fairs and outlines the objects of desire on offer at the forthcoming Maastricht event

Like sales in high street shops, international art and antique fairs come back-to-back these days. As if the calendar for top-drawer events was not crowded enough, this year sees a flurry of new launches, revivals and repeat performances.

The European Fine Art Foundation, at present putting the finishing touches to its acclaimed flagship fair at Maastricht in the Netherlands, is preparing to launch a second bonanza along the same lines in Basel in September. It aims to attract the central and southern European buyers who do not normally make the trek to Maastricht, and dealers whose stock is not predominantly Dutch or Flemish. The emphasis is on Italian and French painting, classical antiquities, jewellery and other works of art.

In direct competition is the new Salon International des Beaux-Arts, which opens as Basel closes at the quiet Evian-les-Bains in France. Organised by drawings dealer Patrick Perrin, it is pitched as a kind of French edition of the New York Armory fairs, devoted exclusively to paintings, drawings and sculpture.

Meanwhile, the city's Salon du Dessin de Collection returns this April and includes foreign dealers for the first time. Italy's pre-eminent commercial art and antiques fair, Milan's biennial internazionale dell'Antiquariato, has elected to go annual. All jostle for position around the giants of the Paris Biennale, Grosvenor House, New York and Maastricht, alongside any number of specialist, national or regional events.

Fairs are competing for a proportion of a finite number of dealers worldwide. The deal-



Natural wonder: Allegory of the Moon, a tapestry of c1550, from Bernard Blondeel at Maastricht; the moon is depicted surrounded by nymphs witnessing to the mysteries of nature, the seasons and the forest

ers are competing for clients. Now the auction houses have geared their businesses towards private buyers - offering user-friendly printed estimates, glossy catalogues, condition reports and seemingly impartial advice - dealers can no longer sit back and wait for the clients whose collecting careers they will guide for life. The new generation of collectors, entirely at ease strolling around in the anonymity of the saleroom or art fair, is less inclined to open the door of some potentially forbidding private gallery or take the time to trawl the dealers dispersed across a city. The last year or two has seen an increasing number of grand and hitherto extremely discreet, establishments going to the marketplace to meet these buyers.

Old Master dealer Hazlitt,

Gooden & Fox, for example, showed at the Paris Biennale and New York for the first time last year, and is due to show at the Salon du Dessin. Furniture and silver dealer Partridge made its debut at Maastricht last year, and French dealers Ariane Dandols, Segura and Galerie Perrin follow Kugel and Yves Mikaeloff to show at Grosvenor House this summer.

For the dealers, a glamorous art or antiques fair generates a sense of occasion and competition akin to that of a high-profile auction. An interested party is less likely to prevaricate knowing thousands of people will follow in his or her footsteps. And at Maastricht and Basel there is little chance of a walk down the road and a follow-up in the gallery. When the fair is over, works of art

and dealers disperse. Some 60,000 visitors passed through the portals of the Maastricht fair last year, more than a third coming from outside the Netherlands. It is arguably the only truly international art and antiques fair in the world. Pleasant town though it is, people would not cross Europe or fly in from the US if they were not seriously interested in dipping into their pockets, and this is what gives Maastricht its distinctive edge.

A significant proportion of visitors to the Paris Biennale or London's Grosvenor House are simply passing a pleasant afternoon in the city. No one goes to the hangar-like Maastricht Exhibition and Congress Centre to be enchanted by a bravura Pier Luigi Pizzi stage-set. Maastricht is a fair where business is done. It brings

large groups of complementary dealers together and allows them generously sized and relatively inexpensive stands. It is no exaggeration to say that each year it presents unparal-

**The new collectors are less inclined to open the doors of a forbidding private gallery**

leled selections of Dutch and Flemish pictures, and of tapestries, carpets and textiles.

No other fair provides the facility to allow Bernard Blondeel and others to hang half a dozen or more large-scale Renaissance tapestries, say, or can boast 25 landscapes by Jan Van Goyen, as Maastricht did two years ago.

This year's fair runs from March 11-19 and draws

together 160 dealers from 11 countries, showing in seven sections: paintings and drawings; works of art; the textile arts; classical antiquities; books, manuscripts and maps; La Haute Joaillerie du Monde; and 20th-century art. Strict vetting is undertaken by specialists.

At long last, the much-debated new layout and presentation have been agreed. Not only will stands be of uniform height and colour but the new "Greek Cross" floor-plan will allow visitors to enter the fair at its middle rather than at one end. It should be easier for visitors to get their bearings and not miss out entire aisles.

Ever conscious of how tiring this vast fair can be, the organisers have also provided more seating, thicker carpets, softer lighting and better air conditioning. There are plans for a second café, with windows.

There should be more fine French furniture and works of art this year, given new exhibitors including Michel Meyer,

Yves Mikaeloff and Galerie Perrin of Paris. Other newcomers include Morsink Ikonen of Amsterdam and A La Vieille Russie from New York.

Beeing up the 20th-century art section, which needs all the help it can get, is the Barbara Mathes Gallery from New York, which brings Cézanne and Cy Twombly.

Maastricht is unfailingly enjoyable because it combines excellent examples of the obvious with the off-beat and unexpected. In the picture section there are sumptuous still-lives by Oskar Reerth and the Elder and Willem Claesz Heda (at Kunsthandel P. De Boer, Johnny Van Haften and Noortman) or the striking Adriaen Coorte at Charles Roeloffs.

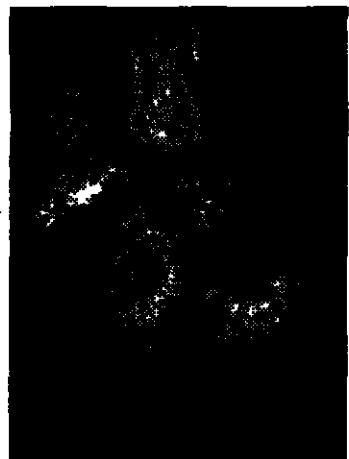
Alongside the flower pieces of Jan van Kessel (David Koester) are the baskets of flowers by Juan de Arellano (Concha Barrios Artemisia). Beside Colnaghi or Axel Vervoordt's Cornelis de Vos portraits is Lucas Cranach the Elder's portrait of the Elector of Saxony, John the Steadfast (Senger Bamberg). There is room for a striking study of a spoonbill by an anonymous 18th-century Silesian artist (at Peter Tillou) and a highly finished design for an allegorical ceiling decoration by the Neapolitan Fedele Fischetti (Piero Corsini).

Embossed gilt-leather wall hangings from the 17th-century Netherlands are to be found at Kunsthandel Glass, a Nok terracotta head from ancient Nigeria at Art Gallery Grusenmeyer. Kugel offers a patinated bronze oil lamp pierced with the gaping mouths of monsters ascribed to the circle of Adam van Vianen. Patrick Batjensberg offers a 12th-century Romanesque pewter knight and charger candlestick recovered from the Lille city moat.

Jan Dirven brings an impressive enamel tazza and ewer dated at 1567-70 and 1600. Angela Walwitz tempts with a Sevres lapis-lazuli ground desert service ordered by Louis XVIII's household for the Vicomte de Chateaubriand. From John Bekemeier comes a carpet woven in the shape of a tiger pelt from Ningxia, north-western China. Dating from around 1700, it is the oldest known example of this type.

For details of the 50 per cent discount on Sabena flights to Brussels for visitors to the fair, the shuttle service from airport to fair and hotel accommodation, tel: 31 73 145 163; fax: 31 73 147 360.

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Anthonis Brouwer: The Elder (1573-1621). Flowers in a glass jar. Signed with monogram. Copper: 6 1/2 x 4 1/2 in / 16.5 x 11.6 cm. Painted c.1607

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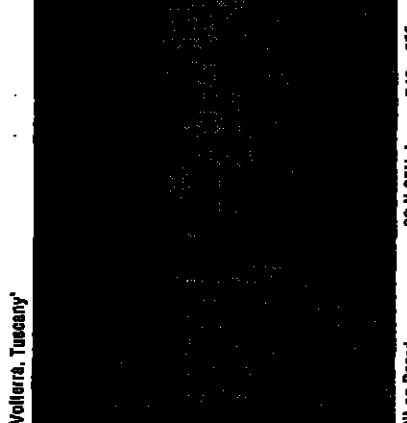
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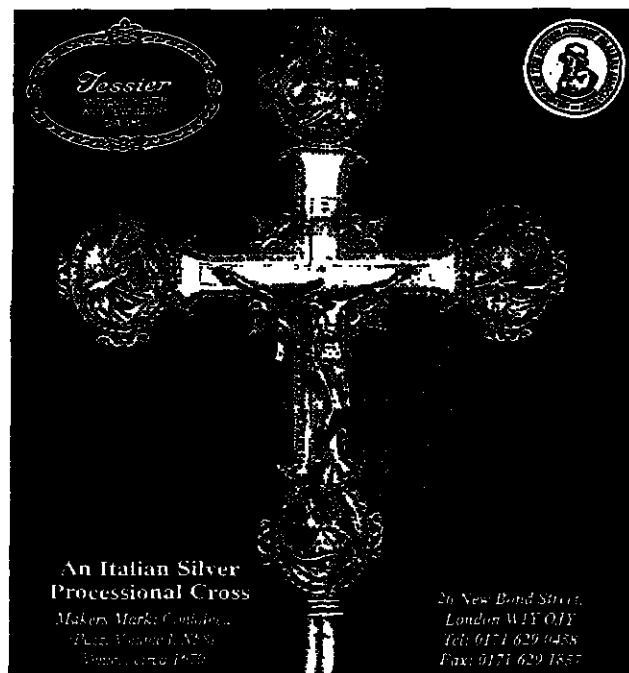
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## ARTS

# Tuned in to problem roles

Andrew Clark talks to one of today's great singing actresses, Anja Silja

Few sopranos have achieved as much as Anja Silja. She gave her first professional recital at the age of 10, made her operatic debut as Rosina at 16 and was Bayreuth's Senta at 20. In London she was Klemperer's Leonore in *Fidelio*, and later Cassandre in *Les Troyens*. She has sung everything from Zerbinetta to Carmen, and is remembered as a peerless Salome and Lulu.

Now 54, she has graduated to what she calls the "unmakeable" roles - parts which are one-dimensional or difficult to cast - and has shown how commandingly "makeable" they can be. Silja is back in the UK to sing Herodias in *Salome*, opening at Covent Garden next Saturday. In June she will be Emilia Marty in Glyndebourne's new production of *The Makropoulos Case*.

Silja's early career was dominated by Wieland Wagner, the composer's grandson, with whom she had a long-running affair and whose influence on her performances continued after his death in 1966. She later married Christoph von Dohnányi, who will conduct the Royal Opera's *Salome*.

They have three children in their teens and early twenties, and are based in Hamburg.

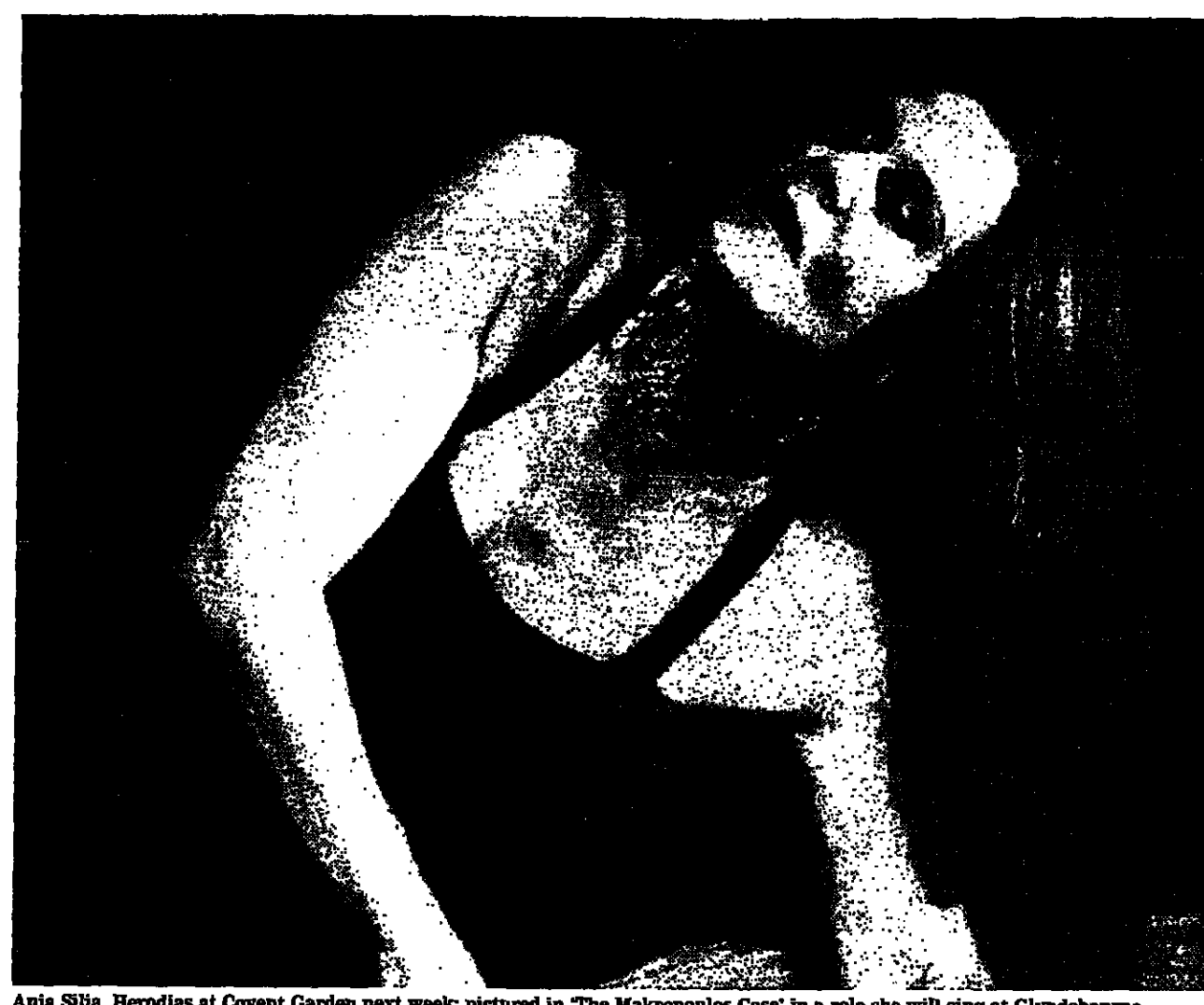
Anyone who sees a Silja performance is unlikely to forget it - the soulful radiance of her Kostelnicka in *Jenufa*, the expressive intensity of her Ortrud in *Lohengrin*, the vulnerability of her Nurse in *Die Frau ohne Schatten*. Tall and

slender, she has a magnetic stage presence, combining purposeful stillness and dynamic gesture. Her voice, underpinned by a solid technique, is bright and strong, and can be emotionally affecting - but her early assumption of heavy dramatic roles has left it with a raw edge.

As one of the great singing actresses of our time, she has well-formed opinions about opera production. She criticises Götz Friedrich, Harry Kupfer and other Eisenstein disciples for encouraging "too much action and heavy movement", and bemoans the growing influence of directors from the spoken theatre who "only understand the meaning of the words, not the higher dimension of music". However, American director Bob Wilson receives unexpected praise, "because he demonstrates the inner side of the drama."

She believes Plácido Domingo has "absolutely the wrong voice" for the Wagner roles he has been singing, and says the record industry has encouraged an over-emphasis on beauty of sound. "Singing by pure sound doesn't make sense - you have to pronounce the words so that they mean something. This is how I grew up - using words and music at the same time. Whether you sing with a beautiful or ugly voice doesn't matter, so long as it fits the character."

But Silja admits that in recent years she herself has taken more care of the sound she produces. "I used to work



Anja Silja, Herodias at Covent Garden next week: pictured in 'The Makropoulos Case' in a role she will sing at Glyndebourne

the way many singers do - learning everything at the last minute. Christoph made me practise more. I sing more thoughtfully now. I prepare the tones better. Previously I just opened my mouth! But I still don't think about technique. It sounds strange, but I started so early, at the age of six, that I've never had to think why I do what I do. I went pretty far just doing what I was taught, so obviously I did the right thing - otherwise I wouldn't still be singing."

Her assumption of roles like Isolda and Brunnhilde in her twenties was widely criticised at the time. Silja considers herself fortunate to have sung them at an age when she could give a realistic stage portrayal.

"I sang them at the age the characters were meant to be. Isolda is 16 or 17 - I sang it when I was 20 and 21, and that was perfect. Wieland made me believe it was not so important to compete with big voices like Flagstad and Nilsson - rather to be the part. I had no inhibitions. I had a penetrating voice, even if it wasn't wide, but it always reached the back of the hall."

She reckons she could still sing Salome and Isolda "better than some other sopranos today", but says ageing divas look ridiculous trying to portray younger women. So she tackles the so-called problem-roles - and is as much in demand as ever. "I think this shows there's a real interest in

personalities, and not in beauty alone - which is boring, as in personal life. There has to be something behind the beautiful face or voice if it is to be interesting - just as there has to be something more to Ortrud and the Nurse than pure evil. I try to make them human."

The same is true of Herodias in *Salome*: her influence on the outcome of Strauss's opera is negative, and she has little to sing. This is precisely the "unmakeable" quality that attracts Silja. "She doesn't show any development on stage, so I try to show her past. What has always interested me is not just the singing passages, but those long spells when she is silent - making

her presence felt, showing that the part continues. You have to be alert, to listen and portray the words the other person sings."

Having sung Salome herself around the world, can she pass on any tips to budding interpreters? "There are several possibilities - you can be the childish Salome, small and helpless. I always did it in a much stronger way. But however you do it, one thing is essential - you have to have natural sex appeal. You can't put it on. Carmen and Lulu are the same. You can sing it, act it, fulfil the steps the director asks - but unless you're sexy, it's just a performance."

Radio/Martin Hoyle

## Taste of the transatlantic

If it's been a swell week what with the American-style Radio Times and all. Actually the radio week was rather less American than usual, but what there was was big if not particularly beautiful. Admittedly the Radio Times let the side down by referring, in the Radio 3's *The USA in the 1940s*, to "Rogers and Hammerstein, as if this year's Reith lecture had wandered over from Radio 4; but then it is not too hot on the old world either... recent *canards* include attributing a portrait of Nell Gwynne to Rubens, who died 20 years before she was born, and identifying "God Save the Queen" as our "unofficial national anthem". What, I wonder, does the Radio Times think our official national anthem is? "The Stars and Stripes Forever", I suppose.

On radio the main transatlantic event was Shakespeare's *Julius Caesar*, as opposed to television's new series of *Superman* which made the RT cover. British director Martin Jenkins recorded the work with an American cast, including Richard Dreyfuss and Stacy Keach, in Los Angeles. I am unsure why. The result had a sense of occasion but not much else. The players performing in hushed would-be intensity in the strangled mid-Atlantic tones adopted by Americans when they want to sound cultured and by the English when they want to sound laid-back. At first glance a world away from last week's *Bomber*, the production suffered from the same syndrome: extra-dramatic portentousness, the attempt to add a dimension to the writing and acting by means of external gimmickry. Just as there can be nothing more fascinating on television than the much-dreaded talking head, when people are left to speak for themselves on radio

the result can be riveting, as in *When the Trains Came* in the international series *Your Place or Mine?* (R4). Gentle people from Newington Pagnall spoke of the destruction of their village in the wake of the Channel Tunnel terminal. Not demonstrators, environmentalists or greens, they merely remembered the nightgale calling to its mate (now denied nocturnal darkness by the perpetually lighted terminal, motorway extension and maintenance area), recorded "almost a feeling of pain" at the demolished woodland, and fear of becoming marshalling yard. Euro-tunnel owns three quarters of the houses; no more casual greetings to neighbours. "The way the world's going there'll be nothing of the past left", someone said. A phrase that occurred in their lament was "no disrespect". How much disrespect has been shown to these dignified, resigned people? Ironically, their village sounds a blueprint for Mr Major's nostalgic view of Britain, the sort of place we say never existed. But it did; and makes an unresisting target for westerly interests.

Finally a word of apology. The light has dawned. How wrong can you be? There was I thinking Talk Radio UK was a seriously intended radio station... A subsequent incredulous session with the show-biz obsessed naffs discussing how much it would take for them to pose for nude photographs, "dangerous" and all, and even more show-biz naffs on "kiss-and-tell" stories, and the truth sank in. The nasal whine of one of the female presenters brought it home: it was either Janine Duvitzki or the wonderful Alison Steadman - of course, the whole thing is a play by Mike Leigh, squalid, pitiable and funny, peopled with grotesques. Still the most hilarious thing on radio.

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## Rocks are out in St Moritz

It is high season in St Moritz: diamonds catch the light, six inches of fresh snow cover the slopes and the English still dress for dinner. True, there are fewer crowned heads, but a new aristocracy of oil, industry and business has taken their place. It only seems natural that Sotheby's and Christie's have chosen this Swiss town to sell their jewels.

Sotheby's was the first to discover the potential of the Swiss ski resort, and has held jewellery auctions there for the past 20 years. Christie's joined in five years ago. "We could not afford not to be there when Sotheby's was there," says Francois Curjel, president of Christie's Switzerland.

The rivalry between the two auction houses is no secret and both follow a similar pattern in their auctions. "The only thing we agree on is the calendar," says Simon de Pury, chairman of Sotheby's Europe.

Christie's holds court at the Palace Hotel, Sotheby's sets up at the Kulm. The sales are broken down into two sessions a day, starting in the afternoon when the skiers wander in from the slopes. The most valuable pieces usually come last, and as evening approaches, the excitement grows.

Cocktails served between the sessions liven up the crowd. Several men wear black tie, while some ladies are still wearing their Chanel moon boots trimmed with fake gold chains. Even the dealers have changed into dark suits.

At Christie's, Curjel takes the podium for the evening session. At Sotheby's, it is Simon de Pury. His reputation is such that some clients make it a condition of their contract that he conduct the sale. "I think it is my enthusiasm - I try to convey a bit of passion and excitement," he says.

Private buyers still predominate at the St Moritz auctions. Of the top 10 items in Sotheby's sale, six were purchased by private buyers. "We tend to put slightly different things into the sale in St Moritz - Cartier pieces, Marina B - these are the kinds of things people who come to ski tend to buy. I would not put any \$5m diamonds in this sale," says David Bennett, European director of Sotheby's jewellery.

Impulse buyers usually purchase items priced between SF10,000 and SF20,000. But not always. A private buyer

paid \$90,000 for a pair of JAR earrings that had been estimated at \$12,000-\$16,000 at Christie's. And at Sotheby's an American diplomat bought a Van Cleef & Arpels sapphire and diamond ring for SF157,500.

One impulse buyer had come for a week of skiing. "He came in for tea, wandered into the room where the jewels were displayed and asked if his wife could try on lot 407," says Curjel. "He had come to St Moritz without the faintest idea of buying jewellery. But he came back to the auction that evening and he bought the 10.39 carat marquise-cut diamond ring, plus a heart-shaped diamond pendant weighing 10.11 carats on an 18K white gold chain for SF320,500."

In spite of such high points the sales were only moderately successful. Both houses sold only about 64 per cent of the lots on offer. Sotheby's did better in percentage of value sold - just over 61 per cent. Percentage of value for Christie's came to nearly 57 per cent.

Christie's sale total was SF10,105,995 (\$5,129,947); Sotheby's SF18,532,775 (\$9,307,527).

The sale totals are substantially lower than last year's, when Christie's total was more than SF22m and Sotheby's more than SF23m for the St Moritz sales, although comparison is difficult because fewer lots were offered kets in an effort to eliminate some of the

lower value lots, cut costs and avoid over-saturation of the market.

The experts blame the drop in the US dollar shortly before the sale. But other factors contributed to the sluggish market. Political and financial scandals in Italy kept many of the buyers from attending. Then there is Ramadan, the Moslem holiday which coincided with the sale. "Most of our Middle Eastern clients were praying rather than buying," says Curjel.

But new clients are emerging. "We sold 20 per cent of our jewellery last year in Asia, mostly to clients who had never bought from an auction house before," he says. At Sotheby's, an Asian private buyer purchased one of the most important lots: a rare emerald necklace made up of 45 melon-shaped beads. It sold for SF707,500, well above its SF390,000 minimum estimate.

Quality still sells best. The finest stones and the best pieces designed by famous jewellers brought top prices at both sales. Provenance is also

important. Pieces from well-known owners tend to bring three to four times their actual value.

Whether or not jewellery is a good investment is another question. The experts generally advise private buyers against investing in jewellery. David Bennett urges clients to buy for love. "My feeling is that certain areas of the jewellery market have remained very strong. The 1930s, great jewels, antique jewels. My personal view is that antique jewels are largely undervalued."

Security is one reason why Switzerland is a good place to buy jewellery. Import duties are also negligible - SF2.00 per kilo. There are no currency regulations and absolute secrecy in financial transactions. The value added tax is only 6.5 per cent and refundable for all jewellery that leaves Switzerland. Jewellery sales are still held in Geneva - that is where the 100-carat diamonds are sold.

St Moritz is part sale, part social event. The resort has always attracted the rich and the famous. British aristocrats started it all in 19th century when they made the Kulm Hotel their private club and invented the winter season. Europe's nobility followed. By the 1930s the scene had changed and film stars and politicians joined the mix. Jet-setters now arrive by private plane and although Günther Sachs, Europe's last playboy, keeps a B&B in the Palace, new faces are filling up old places.



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## GALLERIES

- Attes Museum Tel: (030) 203 550
- Munch and Germany: exhibition of early works by Norwegian artist Edvard Munch and German artists influenced by him; to Apr 23
- Deutsches Historische Tel: (030) 215 020
- Art from the GDR 1949-1990: exhibition that looks at politically commissioned art in the old German Democratic Republic; to Apr 18
- Pictures and References: to German History: more than 2,000 paintings, coins, materials and other artefacts that document the history of Germany; to Dec 1 (Not Sun)
- Neue Nationalgalerie Tel: (030) 266 2653
- George Grosz, Berlin-New York: exhibition of the German Dadaist who emigrated to the US; to Apr 17

## OPERA/BALLET

- Deutsche Oper Tel: (030) 341 9249
- Die Zauberflöte: by Mozart. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 10
- Faust: by Gounod. Conducted by Lawrence Foster/Sebastian Lang-Lessing/Stefan Soltesz and produced by Günter Krämer; 7pm; Mar 10
- Les Intermittentes du Coeur: ballet in two parts by Saint-Saëns. Choreographer, Roland Petit; 7.30pm; Mar 9
- Martha oder Der Markt zu Richmond: by Friedrich von Flotow. Premiere conducted by Sebastian Lang-Lessing and produced by Winfried Baumeister; 7pm; Mar 11
- Tannhäuser: by Wagner. Conducted by Jiri Kout, production by Götz Friedrich; 8pm; Mar 4

## BOLOGNA

## OPERA/BALLET

- Teatro Comunale Tel: (051) 529999
- Carmen: by Bizet. A new production directed by Federico Tiezzi and conducted by Garcia Navarro. Soloists include Elena Zarembka as Carmen and Maria Bayo as Micaela; 8.30pm; Mar 5 (3.30pm), 7, 9

## BONN

## GALLERIES

- Kunst- und Ausstellungshalle Tel: (0228) 9171 236
- Under the Volcano Antique Masterpieces: second in the "Great Collections Series", this exhibition represents a modern "excavation" from among the 200,000 works of the Museo Archeologico Nazionale di Napoli that includes statues, frescoes and ceramics; to Jun 5 (Not Mon)

## FRANKFURT

## CONCERTS

- Alte Oper Tel: (069) 1340 400
- Chanson Gala '95: with Juliette Gréco; 8pm; Mar 5
- Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Herbert Beissel conducts Mozart and Beethoven; 8pm; Mar 9

## LONDON

## CONCERTS

- Barbican Tel: (0171) 638 8891
- Brahms Evening: Sir Simon Rattle conducts the City of Birmingham Symphony Orchestra with violinist Maxim Vengerov; 7.30pm; Mar 4
- Joanna MacGregor: pianist plays Messiaen as part of the Barbican's "Piano Recital Series"; 4pm; Mar 5
- Opera Gala Night: operatic highlights from the London Symphony Orchestra conducted by Paul Wynne Griffiths. Soloists include soprano Josephine Barstow and tenor Arthur Davies; 8pm; Mar 11
- Pierre Boulez 70th Birthday Celebration: Boulez conducts the London Symphony Orchestra with violinist Anne-Sophie Mutter and soprano Laura Aikin to play Berg, Stravinsky and his own compositions;



A Kazakh camel driver from 'Nomads in Central Asia' at the Tropenmuseum, Amsterdam

- 7.30pm; Mar 8, 9
- Festival Hall Tel: (0171) 928 8800
- Philharmonia Orchestra: with pianist Murray Perahia. Wolfgang Sawallisch conducts Strauss and Schumann; 7.30pm; Mar 11
- The London Philharmonic: Franz Welser-Möst conducts Shostakovich and Strauss; 7.30pm; Mar 5
- The London Philharmonic: with cellist Truls Mork and conductor Mariss Jansons plays Shostakovich and Bruckner; 7.30pm; Mar 8

- Barbican Tel: (0171) 638 8891
- Impressionism in Britain: the first comprehensive survey of the development of Impressionism in Britain. More than 200 works by more than 100 artists including Degas, Renoir, and Whistler; to May 7
- British Museum Tel: (0171) 638 1555
- Byzantium: treasures of Byzantine art and culture from British collections; to Apr 23 (Not Sun)
- Festival Hall Tel: (0171) 928 8800
- After Auschwitz: exhibition of paintings, sculpture and photography; to Apr 17
- Hayward Tel: (0171) 261 0127
- Yves Klein: more than 100 works conveying the full range of Klein's output from paintings and sculpture to installations, events, architectural schemes to stage and film scenarios; to Apr 23
- National Gallery Tel: (0171) 839 8821
- Spanish Still Life: from Velázquez to Goya. Exhibition of 16th-17th century paintings by artists such as Cotán and Zurbarán; to May 21
- Photographers Gallery Tel: (0171) 831 1772
- Photography from the Former Soviet Union: exhibition in both galleries of past and present Soviet photographers, including the work of Alexander Rodchenko; to Mar 18
- Royal Academy Tel: (0171) 439 7438
- Poussin: over 90 works by the French artist. Centerpiece of the exhibition are the two series of the 'Seven Sacraments'; to Apr 9
- Serpentine Tel: (0171) 402 0343
- Man Ray: exhibition of works by the celebrated artist; to Mar 12
- Tate Tel: (0171) 887 8000
- Willem de Kooning: exhibition featuring more than 70 paintings drawn from private and public collections worldwide; to May 7
- Victoria and Albert Tel: (0171) 938 8500
- Warworks: women photography and the art of war. A perspective of war through the eyes of international women artists; to Mar 19

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- Philharmonisches Staatsorchester Halle: with violinist Christian Altenburger. Herbert Beissel conducts Mozart and Beethoven; 8pm; Mar 9

- 928 2252
- Alice's Adventures Under Ground: adapted from the writings of Lewis Carroll by Christopher Hampton. A look into the darker side of a man known by millions as a storyteller for children; 7.30pm; Mar 8, 9 (2.30pm), 10, 11 (2.30pm)
- Dealer's Choice: written and directed by Patrick Marber, six men stay up late to play poker; 7.30pm; Mar 4 (2.30pm), 6, 7
- National, Lyttelton Tel: (0171) 928 2252
- What the Butler Saw: by Joe Orton. Directed by Phyllida Lloyd, with John Alderton as Dr Prentice, and Richard Wilson as Dr Rance; 7.30pm; Mar 4 (2.30pm)
- National, Olivier Tel: (0171) 928 2252
- The Merry Wives of Windsor: by Shakespeare. Terry Hands directs his first production at the National. With Denis Quillan as Falstaff; 7.15pm; Mar 4 (2pm)
- Old Vic Tel: (0171) 928 7616
- Conversations with My Father: by Herb Gardner and directed by Alan Ayckbourn. Stars Judd Hirsch who won a Tony award for his role; 7.45pm; Mar 7 (Not Sun)
- The Pit, Barbican Tel: (0171) 638 8891
- New England: Richard Nelson's new play; 7.15pm; Mar 10, 11

## LOS ANGELES

- Dorothy Chandler Pavilion Tel: (213) 850 2000
- Fleisher Plays Ravel: with pianist Leon Fleisher and mezzo-soprano Camilla Jones. Lawrence Foster conducts Steiger, Falla and Ravel's "Piano Concerto in D"; 8pm; Mar 9, 10 (1.30pm), 11
- Los Angeles Philharmonic: with violinist Isaac Stern. Esa-Pekka Salonen conducts Sibelius, Bruch, Mozart and Bartók; 8pm; Mar 6
- Mullova Plays Shostakovich: Esa-Pekka Salonen conducts the Los Angeles Philharmonic with harpist Lou Anne Neil and violinist Viktoria Mullova to play Ravel, Bartók and Shostakovich's "Violin Concerto No. 1"; 8pm; Mar 4, 5 (2.30pm)

## MADRID

- Fundación Juan March Tel: (91) 435 48 40/435 42 40
- Klimt-Kokoschka-Schiele: exhibition of 35 works by the three Viennese artists; to May 21
- Prado Tel: (91) 428 28 36
- Sebastiano Del Piombo: Venetian born artist of the Italian Renaissance and his influence on Spanish painting during the 16th and 17th centuries; to Apr 30
- Zurbarán: Jacob and His Twelve Sons; to Apr 30
- Reina Sofia Tel: (91) 468 30 02
- Salvador Dalí: the early years; to Jun 16

## MUNICH

- Haus der Kunst
- Deutsche Romantik: previously on show in London, this exhibition has created much discussion in Germany. It examines the work of early German Romantic painters and their impact on later German artists; to May 1
- OPERA/BALLET
- Bayerische Staatsoper Tel: (089) 22 13 16
- Der Junge Lord: by Hans Werner Henze. A new production by Günter Krämer and conducted by Dennis Russell Davies; 7pm; Mar 8
- Die Ausflüge des Herrn Brückel: by Janáček. A new co-produced with the English National Opera, London. Produced by David Pountney and conducted by Peter Schneider; 7.30pm; Mar 5, 9
- Don Giovanni: by Mozart, in Italian. A new production by Nicholas Hytner with conductor Hans Drawanz; 7pm; Mar 4, 6, 11

## NEW YORK

- Alice Tully Hall Tel: (212) 875 5050
- Great Performers at the Lincoln Center: violinist Vladimir Spivakov and

- pianist Sergei Bezrodny; 3pm; Mar 5
- The Latin Tinge: Tito Puente conducts small and big band music performed by Gerry Gonzalez and the Lincoln Center Latin Jazz Orchestra; 7.30pm; Mar 10
- Avery Fisher Tel: (212) 875 5030
- American Symphony Orchestra: with pianist Robert Taub and soloists Christine Goerke and Marietta Simpson. Leon Botstein conducts Mendelssohn and Szymanowski; 7.30pm; Mar 10
- New York Philharmonic: with baritone Dmitri Hvorostovsky and conductor Valery Gergiev plays an all Russian programme of Mussorgsky and Rimski-Korsakov; 8pm; Mar 4, 7
- New York Philharmonic: Valery Gergiev conducts Liszt, Berlioz and Tchaikovsky; 8pm; Mar 9, 11
- Carnegie Hall Tel: (212) 247 7800
- Daniel Barenboim: piano recital; 8pm; Mar 6
- Vienna Philharmonic Orchestra: Sir Georg Solti conducts Stravinsky and Tchaikovsky; 8pm; Mar 4
- Vienna Philharmonic Orchestra: Sir Georg Solti conducts Beethoven and Stravinsky; 8pm; Mar 5 (2pm)

- Guggenheim Tel: (212) 423 3652
- Felix Gonzalez-Torres: a comprehensive survey of the contemporary artist's multi-media art form; to May 10
- Ross Bleckner: retrospective of the American artist consisting of approximately 75 paintings and works on paper; to May 14
- Guggenheim Soho Tel: (212) 423 3652

- Antoni Tàpies: 55 of the leading Spanish artist's most important works dating from 1946 to 1991; to Apr 23
- Museum of Modern Art Tel: (212) 708 9480
- Kandinsky: Compositions: exhibition featuring approximately 40 works including seven of the 'Composition' paintings; to Apr 25
- Whitney Museum
- Franz Kline: Black and White 1950-61: major Abstract Expressionist works from the last decade of the artist's life; to Mar 12

- OPERA/BALLET
- Metropolitan Tel: (212) 362 6000
- Der Rosenkavalier: by Strauss. Produced by Nathaniel Merrill, conducted by James Levine; 7.30pm; Mar 4 (1.30pm), 7, 10
- La Bohème: by Puccini. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 4, 8, 11
- La Traviata: by Verdi. Produced by Franco Zeffirelli, conducted by John Fiore; 8pm; Mar 9
- Simon Boccanegra: by Verdi. New production directed by Giancarlo del Monaco; 8pm; Mar 6, 11 (1.30pm)
- New York City Opera Tel: (212) 307 4100
- Carmen: by Bizet. Conducted by Semyon Vekshteyn/Joseph Colaneri and produced by Jonathan Eaton. In French with English subtitles; 8pm; Mar 5 (1.30pm), 11
- La Rondine: by Puccini. Conducted by Guido Aljmon-Marsan, produced by Lotfi Mansouri; 8pm; Mar 7, 11
- Madama Butterfly: by Puccini. Conducted by Guido Aljmon-Marsan and produced by Frank Corsaro. In Italian with English subtitles; 8pm; Mar 4, 8
- The Marriage of Figaro: by Mozart. Conducted by Scott Bergeson and produced by John Copley. Soloists include Wendy Nielsen and Kathryn Gamberoni; 8pm; Mar 4 (1.30pm), 10

- THEATRE
- Joseph Papp Public Theatre Tel: (212) 598 7150
- The Merchant of Venice: by Shakespeare. Directed by Barry Edelstein, and with Ron Leibman playing Shylock; 8pm; (Not Mon)
- Roundabout Theatre Company Tel: (212) 869 8400
- The School for Husbands/The Imaginary Cuckold: by Molière. Michael Langham directs Richard Wilbur's translation and stars Brian Bedford; 8pm; to Mar 12 (Not Mon)
- Variety Arts Tel: (212) 239 6200
- Death Defying Acts: three one act plays by Woody Allen, David Mamet and Elaine May; 8pm; from Mar 6 (Not Mon)

## PARIS

- Concerts
- Champs Elysées Tel: (1) 47 23 37
- 21/47 20 08 24
- Jennifer Lamore: the mezzo-soprano with the Orchestre Ensemble de Paris. Jonathan Darlington conducts Rossini and Mozart; 8.30pm; Mar 8

- London Symphony Orchestra: with violinist Anne-Sophie Mutter and soprano Laura Aikin. Pierre Boulez conducts Berg and Stravinsky; 8.30pm; Mar 11
- National Orchestra of France: with pianist Maria Joao Pires. Jerzy Semkow conducts Mozart and Chopin; 8pm; Mar 9

## GALLERIES

- Galerie Schmit Tel: (1) 42 60 36 36
- From Delacroix to Matisse: exhibition including the works of Delacroix, Matisse, Picasso and Degas; to Apr 13
- Georges-Pompidou Tel: (1) 42 77 12 33
- Brassai: works by the French photographer; to Apr 3 (Not Sun)
- Musée Camus Tel: (1) 45 63 50 75
- Japan, Tastes and Tranquility: The Japanese Tea Ceremony: the historical and philosophical development of the Japanese ceremony; to May 14 (Not Sun)
- Musée d'Art Moderne, Ville de Paris Tel: (1) 47 23 61 27
- André Derain: 350 works spanning his entire career; to Mar 19 (Not Mon)
- Musée d'Orsay Tel: (1) 45 49 11 11
- James McNeill Whistler: exhibition of works; to Apr 30

## OPERA/BALLET

- Opéra National de Paris, Bastille Tel: (1) 47 42 57 50
- La Damnation de Faust: by Berlioz. Conducted by Myung-Whun Chung and produced by Luca Ronconi. Soloists include Béatrice Uria-Monzon as Marguerite, and Thomas Moser/Gary Lakes as Faust; 7.30pm; Mar 5 (3pm)
- Magnificat: music by Bach, choreography by John Neumeier. Gunther/Rainer Mühlbach directs this production presented by the Ballet of the National Opera of Paris; 7.30pm; Mar 6, 9, 10, 11

## TURIN

- OPERA/BALLET
- Teatro Regio Tel: 011 8815 241
- Simon Boccanegra: by Verdi. Conducted by Daniel Oren, directed by Sylvano Bussotti; 8.30pm; Mar 5 (3pm), 7, 8, 9, 11

## WASHINGTON

- CONCERTS
- Kennedy Centre Tel: (202) 467 4600
- Ballet National de Marseille: choreographer Roland Petit presents his 1991 ballet based on the style of several Charlie Chaplin films; 7.30pm; from Mar 7 to Mar 12
- Kiri Te Kanawa: with pianist Martin Katz. Works by Mozart, Strauss and Berlioz; 7pm; Mar 6
- National Symphony Orchestra: with cellist Carter Brey. Hugh Wolff conducts Mozart, Bartók and Dvořák; 7.30pm; Mar 4
- National Symphony Orchestra: with soprano Jayne West, tenor Joseph Harris and baritone Kevin McMillan. James Paul conducts Hugo Alfvén, Delius and Orff; 8.30pm; Mar 9, 10 (1.30pm), 11
- Washington Chamber Symphony: with cellist Evelyn Gleiss. Stephen Simon conducts Moritz Gorky, Vivaldi and Schubert; 7.30pm; Mar 10, 11

## GALLERIES

- Corcoran Tel: (202) 638 3211
- Passionate Visions of the American South: Self Taught Artists from 1940 to the Present. Paintings and sculpture by 80 artists influenced by their communities, traditions and using materials readily available to them; from Mar 4 to May 7
- National Gallery Tel: (202) 737 4215
- Claes Oldenburg: an anthology containing drawings, sculptures and constructions by the artist over the last 25 years; to May 7
- Italian Renaissance Architecture: Brunelleschi, Sangallo, Michelangelo, the Cathedrals of Florence, Pavia and St. Peter's; to Mar 19
- The Glory of Venice: exhibition presented by the National Gallery of Art and the Royal Academy of Arts, London containing works by 18th century Venetian artists. Included are paintings, drawings, pastels, prints, illustrated books and sculptures by artists such as Canaletto, Piranesi, Piazzetta and Guardi; to Apr 23
- Phillips Collection Tel: (202) 387 2151
- The William S. Paley Collection: includes 73 paintings, sculptures and drawings by such artists as Cézanne, Matisse, Picasso, Degas and Gauguin; to Mar 26
- Sackler Tel: (202) 357 2700
- Paintings from Shiraz: the arts of the Persian book created in the city of Shiraz during the 14th-16th century; to Sep 24
- OPERA/BALLET
- Washington Opera Tel: (202) 416 7800
- Tiesland: by Eugen d'Albert. Roman Tarlecky directs a new production by designer Zack Brown. In German with English subtitles; 8pm; Mar 8 (7pm)

## THEATRE

- Arena Stage Kreger Theater Tel: (202) 554 9066
- Hedda Gabler: Henrik Ibsen's drama, directed by Liviu Ciulei and translated by Christopher Hampton; 7.30pm; to Mar 19 (Not Mon)
- Horizon's Tel: (703) 519 9123
- Kindertransport: by Diane Samuels. Jane Letman directs. Play about the repression of memories in Nazi Germany and the survival of a woman and her relationships; 8pm; to Apr 4
- Studio Theater Tel: (202) 332 3300
- Rhinoceros: by Ionesco. Joy Zinoman directs the Absurdist's comedy warning of the dangers of conformity; 8pm; from Mar 8 to Apr 9 (Not Mon)

## CHESS

Britain's chess masters have touched on a winning streak in recent overseas tournaments. Hodgson and Gallagher in Berne, and Emms in Copenhagen, shared first prize. Heiden in Dacca, and Sadler in Cannes, won outright.

Matthew Sadler's success in France was the most significant. Britain's youngest grandmaster, aged 20, scored 7/9, half a point ahead of six ex-Soviets and with 14 other GMs among the also-rans.

This impressive result puts Sadler close to a 2,600 super-GM international rating and to a place in the world top 50. Here his resilience wins through, even after his opponent queens a pawn (8 Pederzen, Denmark, White; M. Sadler, Black; Cannes 1995).

1 d4 d5 2 c4 dxc4 3 Nf3 a6 4 e4 b5 5 a4 Bb7 6 Nc3 b4 7 Bxc4 e6 Not Incc? 8 Qxb7 and 9 Bxf7+ with 10 Qe6 mate. 8 Qxb3 Nc6 9 a5 Nxd4 10 Nxd4 Qxd4 11 Bx3 Qd7 12 f3 Bd6 13 Na4 Qe7 14 e5 Bxe5 15 Nc5 Bc6 16 Qe4+ Bd7 17 Qe2 Nf6 18 Bxe6 Nd5 19 Bf2 Rxb1 White gambled his central pawns to establish a passed pawn on the flank, but this counter-sacrifice puts Sadler's pieces in control.

20 Nxb5 Bb5 21 Nc5 0-0 22 a6 Qe5 23 a7 Ra8 24 Ra5 Ne5 25 Qe4 Nxb2 26 Kd1 Rd8+ 27 Bd4 Bxd4 28 a8 Qxc5+ 29

White mates in three moves at latest, against any defence (by A. Kramer, 1942).

**Solution, Page XIV**

**Leonard Barden**

## BRIDGE

Today's hand comes from rubber bridge. It contains no exotic technique, but it shows, when all seems lost, that there is a way of salvation. Let us study the Indifferent Finest:

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Peter Aspden

## Imran bowls a spiritual bouncer

'Imperious playboy' has become 'ingenuous fundamentalist'

Dressed in collarless grandad shirt, rustic waistcoat and swathed in layers of baggy cream linen, the former Pakistan cricket captain Imran Khan looked, on a BBC news report last week, as if he had stepped straight out of one of the west's trendiest designer stores.

Which just goes to show that one man's ultimate statement of fashion consciousness is another's understated ethnic uniform. For Imran has famously turned his back on western material values to embrace Islam and the troubles of his native country. His new mode of dress heralds a return to his roots rather than a feverish study of the men's glossies. What further

proof do we need that appearances, in our trans-global, image-fixated age, have become more deceptive than ever?

Imran's outfit might be perfectly judged for a cool night out in London, but that is by all accounts the last thing on his mind. He has devoted himself to raising money for a cancer hospital in memory of his mother and has, along the way, dispensed more than the odd swipe against the western road to ruin and decadence.

Now one cannot help noticing a decidedly rancorous note in the reporting of Imran's defection from the fold. Here is a man - a proud, handsome, superbly athletic man, in sharp contra-distinction to many of England's slightly slob-

bish sporting icons - who has enjoyed pretty much all we in the west have to offer: an Oxford education, a generous supply of debutante escorts, glamour, fame.

He has, all along the way, remained slightly smug about the fruits of his success. The sniffer he became, the more those envy-inspired adjectives followed him: arrogant, aloof, a Brown Sahib trying to have it both ways. Even his undoubted talent for cricket became tainted when the propriety of some of his competitors' bowling was brought into question and Imran confessed that, yes, he had once "tampered" with a ball.

Today, he announces that he is not in the least interested in cricket, nor in those languid nights

in Tramps and Annabelle's. He spends his time collecting donations (frequently from those least able to afford them) and pronouncing - in Urdu - that Pakistan should drop its inferiority complex towards the west and take its religious legacy more seriously. He has, in other words, completed the transition from "imperious playboy" to "ingenuous fundamentalist". And does the west not like that?

For in truth it cannot quite handle this disdainful conversion. The dismissal of all those values it holds dear strikes at the core of its identity. It finds it difficult to accept that Imran Khan, one of the great cricket all-rounders, should now find the sport which made his

name a rather silly distraction from real life; we certainly do not like to be reminded that our emphasis in the west on individual wealth and sexy frocks is, well, a little childish.

Yes, Imran Khan has grown up. He is a man in his early 40s, who was devastated by the death of a parent and who wants desperately to become involved in the destiny of his homeland, which is urgently, occasionally tragically, trying to forge a post-colonial identity. The most comfortable way we can describe this seems to be in those screaming "Sybaritic super-stardom" goes in to bat for Allah" headlines which are such a worthy testament to our free press.

As in all the debates concerning

"the resurgence of Islam" (as Professor Edward Said, of Columbia University, says, it is actually a struggle inside Islamic countries to define themselves), the west feels a profound unease when asked to address its own lack of spirituality. It secretly suspects that there might actually be something in what Imran Khan claims to have found in Pakistan. If you do not believe me, ask yourselves this: why do all our most expensive designer stores sell those baggy, faded, creased materials in subdued, earth tones for more money than a third world village sees in a week? It is a rich irony: the most materialistic of ways of signalling that we too are a little sick of the material ways of our world.

## A sport for heroes

From above and behind me came a drum beat of thousands of boots, rhythmically stomping the floor. Like rolls of thunder, the metal advertising hoarding reverberated under the thumping of fists, matching and pacing the ferocity of the onslaught in the ring. They were sounds as stirring as the wall of the bagpipes, leading troops into battle. I was at the fight last Saturday night. I cheered myself hoarse. I sang my heart out. "Nigel Benn, Nigel Benn, Nigel B-e-e-n-n, N-i-l-l-e-g-e-l Benn". I joined in the chorus urging him on in his battle against Gerald McClellan. "Ni-gel, Ni-gel, Ni-gel, Ni-gel". And as I left the London Arena, across a floor slippery with spit and beer, I knew I had seen a great fight.

It was not until I got home, still tingling with excitement, that I learnt of Gerald McClellan's condition. Had it been a pub brawl, I wondered, would I and just about everyone else in that impassioned cockpit, have been accessories to acts of grievous bodily harm?

Each death or serious injury in the ring distresses me. But though I understand the call to ban the sport, I do not support it.

To this day, boxing engages me like no other sport. Boxers are braver and train harder, are more magnanimous in victory and gracious in defeat, than other athletes. But while I seldom miss a boxing match on television, it has been more than 30 years since I was last at a fight. Then I was a young schoolboy in the ring in Gwelo. On Saturday I was at the ringside in London Arena, but back in Gwelo.

I used to be almost paralysed by fear as I awaited my turn to fight, wondering whether my legs would carry me between the ropes and on to the canvas. A teacher called Bernard Goggin was my trainer. I can see him now, a rather tubby

Had it been a pub brawl, would I have been accessory to grievous bodily harm?

man, with a ginger moustache, crouched in front of me, his hand encased in the round, flat glove he held as a target for my punches. I remember him as a gentle man, who taught boxing as the art of self defence. A discipline, designed to contain the aggression in our souls, and if necessary direct it.

The worn leather gloves I wore had a patina of sweat and grime, and blood, and smelt of boxing. As they were pulled over my rigid, outstretched fingers, fear and excitement gathered in the pit of my stomach, spreading through my skinny frame to the tips of my fingers. I flexed and then slowly curled them, a natural, instinctive movement, that turns fingers into a fist, that turns an arm into a club.

Once in the ring, adrenaline took over. Then came the thrill of weaving, bobbing, evading a flying fist, countering with a punch, as satisfying as a sweetly timed cover drive.

On Saturday the satisfaction was vicarious. I cheered as Benn retaliated, jolting McClellan time and again, and the drumming, stomping crowd knew it was a gladiatorial contest, the like of which few had ever seen. It ended tragically. But it was still a great fight. It had a raw honesty at a time when sport seems one gigantic fix, players allegedly throwing games, destroying belief in fairy-tale victories, like Zimbabwe's Test win over Pakistan.

It was not a fight in which has-beens or nobodies, after fake scuffles and scripted insults at weigh-ins, provide fat-fodder for spurious champions. This was the real thing. Benn could have stayed down mid-way through the first round, when he went crashing out of the ring. But ringcraft, training, and guts pulled him through.

It was a psychological battle, not just brawn and biceps, fought as much in the mind as in the heart. It was during the sixth or seventh round that McClellan lost his belief in his invincibility. He could still have won, but his confidence had gone.

Benn's strength came, I suspect, from self-knowledge. He has been defeated, once by Michael Watson, who watched the fight from his wheelchair. Once he was not so much defeated, as deprived of victory, in a fight with Chris Eubank, the man whose punches left Watson on the edge of death.

Character was on display, not just brute strength. On Saturday night, boxing had an integrity that survives the ending, which transcends the brutality, and turned it into a heroic contest.

My atavistic responses, I hope, give me an insight into an innate propensity for violence that I suspect we all share. This reinforces, rather than diminishes, my repugnance for war, fought by the young for the old, sanctified by the state, and sanctified by the church. But I still cannot get out of my mind the thought that McClellan was fighting for his life. In my stomping and cheering, roaring and applauding, was I complicit in a tragedy?

Michael Holman

Antony Thornecroft talks to the composer about his obsessions

Don't ask me any financial questions. I don't get involved with the business. I haven't even got an office at the Really Useful Group. Thus Sir Andrew Lloyd Webber glides smoothly over his 70 per cent holding in the RUG, a £500m company which earns most of its money from his talent for a tune.

Sir Andrew had stopped briefly in Germany last week to bless his latest venture - the first foreign language production of *Sunset Boulevard* - and to meet the German press. It was a gentle encounter; the media treated the UK's most commercially successful composer, with respect; Sir Andrew, shy and circumspect, gratefully fled after the most cursory of interviews, leaving it for his money men to fill in the detail.

*Sunset Boulevard* is set to open on December 1 in a theatre, strategically built alongside a conference hotel, near an autobahn on the outskirts of Wiesbaden. This seems to be the future for commercial theatre in Germany - out-of-town fun centres to which people drive for up to four hours, (which can mean more than 300 miles on Germany's unrestrained highways), for a show, and perhaps an overnight stay.

The new production will cost the RUG more than £5m to mount and, unlike previous Lloyd Webber shows in Germany, it is the sole producer, taking 80 per cent of the box office, with 20 per cent going to the German interests which are building the Rhine-Main theatre and then leasing it to the RUG for the next decade.

With top ticket prices at around £80, this production of *Sunset Boulevard*, which at Sir Andrew's insistence will be identical to the London and Broadway versions, seems almost certain to open another conduit of cash for the RUG. After years in which awareness of the modern musical was confined to *My Fair Lady*, the Germans have suddenly learnt to sing along with Andrew. Already, Lloyd Webber shows in Hamburg and Bochum have grossed £1m at the box office. But these were joint productions, limiting the RUG to 25 per cent of the take. Now most of the revenue will stay with the talent.

The expansion is continuing elsewhere. In October, *Phantom of the Opera* opens in Basle in another specially converted theatre which will be run by the RUG. Then the management will eye Spain and perhaps Italy. France is seen as alien territory for British musicals, after the failure in Paris of *Les Misérables*. The RUG may tell Sir Andrew about its latest ventures, (although he knew nothing about Basle before it was settled); maybe not. He will be free to do what he does best, create the music, and keep a busy eye on the shows on the road.

His next venture is just about completed: the music for a new version of *Whistle Down the Wind*, a British film of the 1960s. This week



Nothing can change: whatever happens, Sir Andrew holds on to his creative rights

Sir Andrew sped by private jet to Hollywood to do the deal. "It is an act of faith. There has not been a successful film musical since *Mary Poppins* in 1965. There are no obvious directors and specialists around. We are actually 'whistling down the wind' to some extent."

This very English story of two young children who think they have discovered Jesus in a Yorkshire barn will be relocated to Louisiana, and will be "quite punchy, to put it mildly". The lyrics are by Jim Steinman, best known as writer for the rock heavyweight Meatloaf. They offer Sir Andrew a return to the rock and roll roots he flirted with lightly in *Jesus Christ Superstar*, a great contrast to the swirling classically romantic melodies he has favoured in his recent shows. "It need not be expensive. It will be a low budget film, but with big stars."

Films are very much on Sir Andrew's mind. While in Hollywood he will confirm, after years of negotiation, the go ahead for the animated screen version of *Cats*, to be directed by Steven Spielberg. And another perennial headline snatcher, the film version of *Evita*, is finally on the blocks, under Alan Parker's direction, although who will play Eva Peron is still uncon-

firmed: Madonna is telling everyone the part is hers while Michelle Pfeiffer reportedly resigned before being offered the role. All this hardly worries Sir Andrew: he sold the film rights years ago.

He would not do so these days. If there is one thing that gets Sir Andrew, not temperamentally a placid person, really excited it is changes to his creative vision. He will return to Wiesbaden to control the casting and staging of *Sunset*; he is constantly popping into his shows to make sure there is no slacking. "I tend to interfere," he admits ingenuously. He famously closed *Sunset Boulevard* for a month, at a cost of £1m, because it was not quite working. Next week *Cats* is withdrawn for a week from the New London theatre to tweak the choreography into better shape.

PolyGram UK, which owns the other 30 per cent of the RUG, has an option to buy a majority of the company in 2003, but even if it does so it will not wrest creative control from Sir Andrew. His contract with the RUG provisionally expires the same year, and whatever happens he holds on to his creative rights. Even after his death he has ensured that his estate maintains the tradition. "Nothing can change." If *Sunset Boulevard* is revived in 2005, a

late 21st century audience will have the strange experience of seeing the Hollywood of the 1930s through the eyes of the 1990s.

Fastidiousness about his work lies close to Sir Andrew's heart: it is only edged out by his love of art. He might be reluctant to talk about his business interests, and his wealth, but if the conversation turns to art he moves up a gear or two. As a teenager at Westminster School, Sir Andrew fell in love with art and architecture, most notably Victorian art, then still wildly unfashionable. "I remember seeing Leighton's 'Flaming June' on the pavement for sale for £50, with the frame priced at £60. I asked my grandmother for a loan but she said no." Today "Flaming June" is in a museum in Puerto Rico but could probably be bought for around £2m. The price gives even Sir Andrew pause.

Victorian art, especially by the Pre-Raphaelites, is still Sir Andrew's first love and he owns the finest collection in the UK. His country home at Sydmon Court, next to Watership Down, is crammed with some of the most famous paintings of the 19th century: "Silver and Gold" by Arthur Hughes; Sir Edward Milibar; "The Prescribed Royalist" one of Tisso's portraits of his mistress Kathleen

Newton; Lord Leighton's "Dante in Exile", more than a dozen works by Burne-Jones; and more. He recently bought Canaletto's "View of Whitehall" for £10m.

Whenever a top Victorian painting sells at auction Sir Andrew wants to be there to buy it - much to his annoyance. "The Victorian market is overblown now. The other week rubbish paintings sold in New York for incredible prices, including an indifferent Tissot for \$3m. Only if something very interesting comes up in Victorian art would I bid."

His interest is switching to other, less competitive, areas. The visit to Wiesbaden was made special for Sir Andrew by the chance to see in a private home one of the finest collections of Symbolist art in Germany. He is reluctant to alert the auction houses to his next collecting passion but, since he is not secretive about his art, any change in taste will soon be known.

For while Sir Andrew wants to hold on to his music after his death he is less possessive about his art. "I don't want my children to be lumbered with all the pictures." Instead the best are going into a foundation which will be housed in a yet-to-be-built museum, a solid immortal memorial. So far the Foundation owns just four works -

the Canaletto, Richard Dadd's "Contradiction", a Holman Hunt, and some Burne-Jones tapestries.

Of course, the future of the Foundation depends upon the one thing that Sir Andrew professes, with some justification, to be quite ignorant about: the financial prospects of the Really Useful Group, whose executives invariably phone after every interview Sir Andrew gives, to check that he has his facts right.

Five years ago Patrick McKenna came in as chief executive. Out went peripheral publishing, video and record companies, and a dependency on licensing agreements; in came a stress on productions and live entertainment, a desire to control the works. So the Adelphi Theatre was acquired to house *Sunset Boulevard*, and a hunt for venues large enough to present Lloyd Webber across the world is in train. Soon the RUG will announce its next big venture, a multi-million pound musical, but not by Sir Andrew.

Such diversification hardly disguises the fact that the 3,000 RUG staff depend for their livelihood on a man whose affinity with the musical tastes of the masses wins him little critical acclaim in his own country, but gives him an awe status elsewhere.

How instructive the Barings affair has been. I picked up a copy of *Die Welt* on Monday, and the Barings story was buried on page 16. *Liberation* did the same. *Corriere della Sera* got Barings on the front by tricking it out with the Queen and a picture of the royal family.

By Tuesday, Barings was the lead in Brussels, Paris, Vienna and heaven knows where. All those papers which had missed the significance of the debacle the day before had to use market reaction as a peg on which to hang what was obviously an amazing story. But market reaction was its least interesting component.

At its heart was the tale of how one Nick Leeson had wiped out an ancient financial institution. As the normally pious *Handelsblatt*, one of the few papers to cover the story properly, observed: "Unbelievable: A 28-year old trader in Singapore did it, brought down the 233-year old merchant bank Barings in less than three weeks."

The point about this affair is nothing to do with the Nikkei, the FTSE or the pound. It is a fable for our times, interpreted by each nation differently according to its own history and beliefs.

The Swiss know more than anyone about what can go wrong in banks and were quite forbearing. *The Journal de Geneve* said: "It is one of the most difficult challenges facing business management today: how to control people who deal in the increasingly complex world of derivatives, without stifling the freedom and creativity which they need to make money for their employers."

The Dutch took a similar line and argued that tight control and supervision are almost impossible in a frontierless electronic world. The once-communist *Leipziger*

*Volkzeitung* echoed a more widespread view: "There's little sign of sense and patience, you play big whatever it costs."

In Paris, *Liberation* worried about Barings' employees: "Speculation turns on Russian roulette, an entertainment whose effects, however, are not limited to the unlucky player. First balance sheet: 4,000 victims."

For the French the affair was a godsend in the stuttering campaign against Anglo-Saxon capitalism, deregulation and free markets. "How can one describe this characteristic example of the perversion of a system which permits everything?" asked a provincial paper.

Others wrote of the "speculative euphoria of reckless traders" while the financial papers lamented the

impotence of central banks who ought really to be in charge.

The story of Barings' collapse emphasises the distinctive nature of the English way. The Watford Wunderkind, Leeson, is a very English creation. London is full of 20th century Dick Whittingtons who in fact found the streets paved with gold. You will never read a novel of a hero of the trading floor set in Paris or Frankfurt.

In London, uncritical glossy publications seek out such figures, turning dreary dealing into spectacular battles in which the fashionable demi-gods emerge triumphant. Their enormous rewards are all that is needed as evidence of their virtue. It is not necessary to take the French view that all such activity is morally worthless and intellectually vacuous to believe

that something somewhere is wrong.

In actual fact all this arcane dealing serves a purpose. Among other things it keeps aggressive young men off the street and provides more profitable jobs than do schools or hospitals.

It also happens to be something that suits the English, notwithstanding this week's events. After all, no other people would have regarded the sale of its last remaining car manufacturer to foreigners as a national triumph. And in England the underserving young and rich are widely admired. On the continent, nobody under 40 is allowed to be rich.

The operations of the derivatives markets provide the ideal English pastime. They involve complex abstract analysis, like crossword

puzzles. They are meant to offer insurance but have blossomed as up-market betting shops that supply unlimited gains and losses, like Lloyd's of London. They satisfy the English love of clubs and insiders' jargon.

And now the derivatives market has given us the kind of gigantic cock-up that confirms the English "small boy" theory of history, the catastrophe that's a bit of a laugh. Just William is at it again.

Some 18 months ago, at a press conference given by a German bank, the question of derivative regulation was raised. The answer included an observation that could never have occurred to an Anglo-Saxon, maybe only a German could have conceived of such a simile. "A derivative is like a razor. You can use it to shave yourself and make yourself attractive to your girlfriend. You can slit her throat with it. Or you can use it to commit suicide."

That's the trouble with these conundrums; no sense of fun. James Morgan is economics correspondent of the BBC World Service.

## As They Say In Europe / James Morgan

### A very British collapse

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## OFFSHORE AND OVERSEAS

**BERMUDA (SIB RECOGNISED)**

GUERNSEY (REGULATED)			
	Selling Price	Buying Price	+ or -
AMZ Mgmt Co (Guernsey) Ltd			
Grouping With Liquid For Pkts. 1511.85		12.341	---
Apollis Investment Management Ltd			
1 on 100		10.54	---

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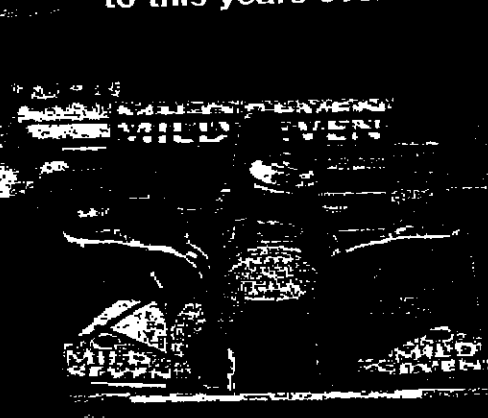
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# Weekend Investor

Wall Street

## Bulls and bears tug hard at the dollar

Maggie Urry assesses the conflicting signals for US equities and bonds

That was 4,000 that was. After the madness of the week before, Wall Street began to regain its senses last week - as a bear might put it - with the Dow Jones Index dropping below 4,000 and putting up only a brief struggle on Tuesday to regain the higher level.

Even so equities were remarkably resilient in the face of a dollar almost in free fall in spite of a supposed flight to quality in the fall out from the Barings affair.

Why is the dollar so weak, and why has the equity market largely ignored the currency? Jeffrey Applegate, of CS First Boston, says the dollar is reacting to a high and rising current account deficit - a problem familiar to any British reader. The dollar is simply not attracting enough money from abroad to plug the gap.

The Japanese, the people with enough cash to hold up the dollar, are not prepared to shift their money into dollars unless or until the markets are much cheaper.

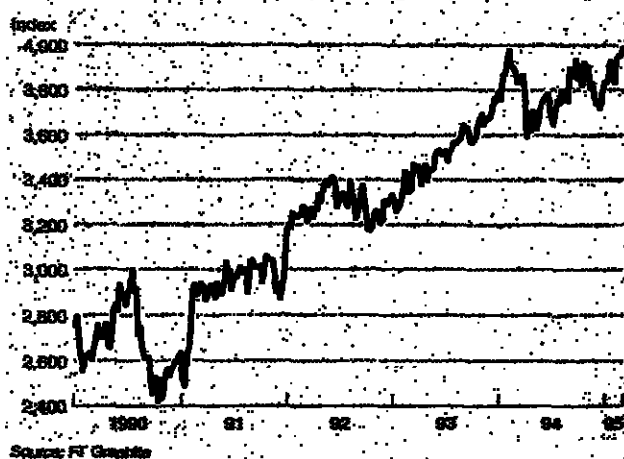
Nicholas Knight, of Nomura Research Institute, says that Japanese investors are simply not prepared to take the risk on putting their money into dollars. It would take interest rates of 8 per cent and the Dow Jones at 3,200, he suggests, before substantial Japanese funds were attracted to the US market.

Even so there are people on Wall Street convinced that the currency is fundamentally strong. One leading bullish market strategist argues that the dollar's weakness is just a matter of reaction to a series of rumours. Overseas money is flowing into US markets, he says, but the flows are being masked because these investors are hedging the currency. Once they stop hedging, he says, the currency will "roar".

He says the equity market's muted reaction to the dollar weakness - with the Dow Jones not falling further than it did - is conservative. "The markets should have cracked but they didn't," he says.

A weak currency prevents domestic money flowing out of the markets, which gives some help to equity and bond prices. Also the fall in the dollar aids corporate profits through the translation of multinational companies' overseas earnings. And the inflation risk from the weak dollar is not as serious on a trade-weighted basis as it

### Dow Jones Industrial Average



Source: FT CompuLink

would be in a country more dependent on international trade. Perhaps, also, Americans are less concerned about the currency because they are more parochial.

While a sterling crisis of similar proportions would have the British authorities raising interest rates to prop up the pound, the Federal Reserve is much less likely to sacrifice domestic policy to protect the currency. However, by the end of the week the Fed was intervening, with help from other central banks, to support the dollar. Experience suggests that intervention fails to reverse a trend in a currency (and is a remarkably quick way to squander reserves) although it can slow a decline.

The news hurt bonds much more than equities, although this may only be fair since the bond market's rise, which pushed the long bond yield below 7 1/2 per cent, had made the Dow's advance look sluggish.

But then bonds also had to contend this week with the one-vote defeat of the balanced budget amendment in the Senate. This proposal would cut the budget deficit and thus reduce the amount the government raised through bond issues, making them in issue scarcer and more valuable.

Further attempts to pass the amendment will be made, and anyway the defeat may have little real meaning while the political mood favours lower budget deficits. Constitutional amendments need higher majorities to pass than budgets do, so there should be a move towards a balanced budget even if it is not enshrined in the constitution.

Yet again this week investors searching for evidence of the soft landing which Alan Greenspan, chairman of the Fed, has promised, have received mixed signals.

The revision of the fourth quarter of 1994's GDP numbers was a blow. Although the headline number was revised only slightly upwards, from 4.5 to 4.6 per cent, the worry came in the change to the inventory figures. Originally it appeared that inventories had risen strongly suggesting that the economy was slowing. But the market now discovers that inventory investment was \$48m not the \$68m originally estimated.

On the "good" side, though, the National Purchasing Managers Index of business activity showed a sharp fall in February and car sales were weak last month too, which hit the shares of the auto groups.

The market has also had some bid activity to sustain it. If foreigners are unwilling to buy shares, foreign companies are eager to pick up US companies. A tussle is developing over National Gypsum, the plasterboard group, for which BPB of the UK is bidding. Hoechst of Germany offered to pay over \$70m for Marion Merrell Dow, the drug group. Luxottica of Italy wants to buy US Shoe, and Samsung Electronics of South Korea is taking a 40 per cent stake in AST Research, the computer maker.

**Dow Jones Ind average**  
Monday 3,998.57 -23.17  
Tuesday 4,014.05 +22.48  
Wednesday 3,994.80 -19.25  
Thursday 3,978.14 -16.87  
Friday

London

## A few bargains still around...

Philip Coggan on market reaction to Barings' collapse

Spare a quid to buy a bank, gov? Only last week Barings was still, as far as most of the world knew, one of the great names of finance; this week, it was on offer for the knock-down price of £1.

The collapse of the bank last weekend created the brief fear of a system-wide problem for the financial markets. In the event, the main problems occurred in Tokyo, where the Barings losses had accumulated.

When it became apparent that the losses were due to speculation by one trader in the Singapore office, the markets breathed a sigh of relief. Rumours inevitably affected merchant banking stocks for the rest of the week. Sterling also fell briefly to an all-time low against the D-Mark, which continued to benefit from its perceived "safe haven" status.

But most equity market investors seemed willing to accept, in the unpoetic phrase of the governor of the Bank of

England, that the crisis was "Barings-specific".

The FT-SE 100 index defied gloomy predictions of a 50 to 100 point fall on Monday. Having opened 39.5 points lower, as market-makers reduced prices to discourage selling, the index rallied to finish the day only 12.4 points down.

Nevertheless, it was a bad day for most shares. Declining stocks outstripped advancing ones by five to one and 306 shares recorded new lows for the 1994-95 period. On these indicators, the London market had its second worst day of the year.

The overall health of the market - what the Americans call breadth - continues to be a worry. Since the start of the year, the number of declining stocks has outpaced the number of advancing ones by more than 6,000. Until this number turns around, it is hard to see Footsie breaking out of its recent trading range.

The inset shows the average of advancing versus declining

stocks over a moving 10-day period. The average has slumped to below 0.7, indicating that the recent mood of the market has been very depressed.

Wall Street did not help this week, with the Dow Jones Industrial Average slipping back below the 4,000 mark. London seems to be getting the worst of both worlds. When the Dow climbs, UK shares fall to benefit; when the Dow falls, the Footsie drops in sympathy.

However, the recent fall may prompt a short-term rebound. Once the Footsie index nears 3,000, investors seem to perceive shares as having value. Indeed, by Thursday night, the dividend yield on the FT-A All-Share Index had risen to 4.17 per cent, its highest level so far this year.

Ian Harnett, chief UK economist at Strauss Turnbull, says that on a recent visit to Switzerland, he found that UK equities had moved to the top of investors' valuation lists but they will not buy until they



Norman Lamont: the former chancellor who surprised the government

think sterling has stabilised.

For those who believe in charts, the neural network (a computer programme designed to think like a human brain) used by Robin Griffiths at James Capel, now thinks the Footsie will drop to a low of 2,900 later this month, before rallying. In January, the network indicated the Footsie would fall as far as 2,700.

One obstacle which the market overcame this week was the threat to the government from the Commons vote on European policy. Shares had their best day of the week on Wednesday - rising 31 points - when it became clear that the government was going to win.

The narrowness of the victory - five votes - and the surprise rebellion by ex-chancellor Norman Lamont indicate that the issue of political stability is unlikely to go away.

On the corporate front, the results season chugged along this week with no disasters among the big stocks. There was one savage dividend cut from cables and construction group BICC, which reduced its final payout by 35 per cent.

But BICC shares rallied on the day, on the view that the management was acting sensibly by bowing to the inevitable; it had been using reserves to maintain the dividend since 1991.

BICC's cut was an exception to the general trend. The four week average of the dividend index, calculated by subtracting cuts from increases and expressing the total as a percentage of all announcements, edged up slightly to 65.2 per cent, its highest level this year.

On balance, however, the results season has been satisfactory, rather than excellent.

On the day results are announced, shares in the companies concerned have tended to fall, indicating that the good news was already in the price.

Vickers stood out from the crowd this week. The shares rose 3.7 per cent on the day of its results, as the engineering group increased its total dividend by 58 per cent. A turnaround in profitability at Rolls-Royce motor cars has helped revive the company, which reported losses in 1991 and 1992.

One of the worst performing shares of the week was BPB, the plasterboard manufacturer. Its £700m plus bid for National Gypsum, the US plasterboard group, was seen by the market as landing BPB with too much debt. The shares ended the week 9.5 per cent lower.

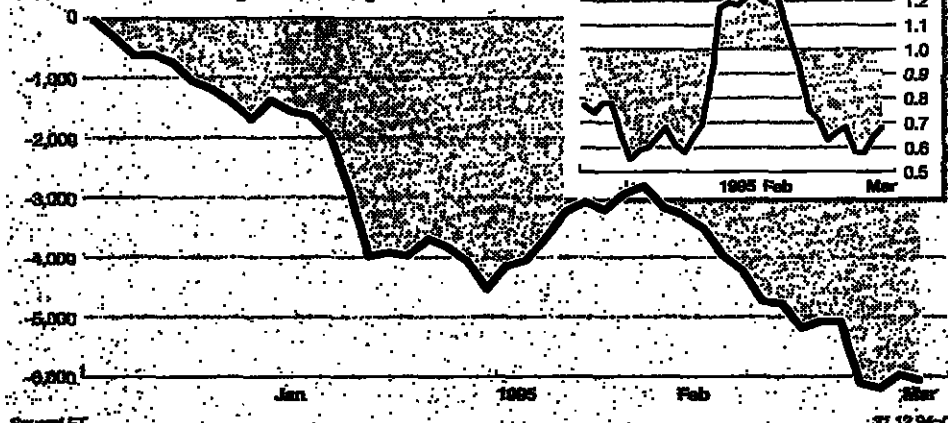
Back to the Coppock indicator, which was featured in this column at the end of last month. This indicator compares an index's end-month level, with its position 11 and 14 months ago. When the indicator is in negative territory, and starts to move upwards, that is a signal to buy shares.

The indicator for the FT-SE 100 index dropped into negative territory in December, fulfilling the first of the key conditions. At the end of February, however, it had fallen even further; so there is no buy signal yet.

For the indicator to give a buy signal at the end of March, my calculations suggest the Footsie will need to climb to about 3,263, quite a jump from the current level of 3,025.1. So it might be a while before Coppock gives the green light.

### Losers win the day

Cumulative total of advancing minus declining stocks



Source: FT

### Highlights of the week

	Price	Change	1994/95	1994/95	
	Index	1st week	High	Low	
FT-SE 100 Index	3925.1	-12.6	3920.3	2876.6	Barings' collapse
FT-SE Mid 250 Index	3381.4	-16.0	4152.3	3383.4	Lack of support
AAH	434	+125	544	280	Bid from Gohle
AFV	691	+614	138	4714	Telecomer talk
BPP Ind	265	-30	365	274	Worries over Net Gypsum bid
Berner Homes	70	-34	177	70	Profits warning
Caribb Pharm	185	-133	498	183	Drug trials failure
Delta	421	-38	588	421	Poor results expected
Eurotunnel Ltd	286	-22	5824	195	Profit-taking
Flynn	19114	+2614	157	103	Bid speculation
Kainwort Benson	572	-3314	983	424	Barings collapse hits securities houses
McDonnell Info	79	-8	294	6514	Recovery hopes
North West Water	534	+24	611	454	Rumours of special dividend
Smith New Court	486	+44	486	324	Bid speculation
Wellcome	1041	+30	1045	488	"White knight" bid hopes



Barry Riley

## After Barings: a City in flux

It was inconceivable the Bank could walk away - but it did

Cries of bitter anguish could be heard from the British establishment this week as Barings, the ultimate in blue-blooded financial institutions, secure at the heart of the City of London for 233 years, was allowed to collapse. Over the centuries five hereditary peerages have been picked up by the banking dynasty - counting among its ennobled scions the present chairman of BP and a former Bank of England governor - and it runs a substantial charity, the Barings Foundation.

It was inconceivable that the Bank of England could simply walk away, muttering bureaucratically about open-ended liabilities and the absence of systemic risk. But it did.

Scary suggestions about the wilful destruction of the City's creditworthiness were, understandably, being played down by the surviving merchant banks as they struggled to restrain a widening risk premium on their deposit rates. Reactions amounted to an awkward combination of "it could never happen here" and "there but for the grace of God go I". But the rest of us will note all this as further evidence of a shifting balance of power in British finance and economics.

No policy statement has been made, no green papers issued. But make no mistake:

profound changes have been taking place. One of these is in the official attitude to the City of London which, for centuries, has succeeded in placing itself at the nexus of political and economic power.

It became the financial and commercial centre of the British empire. Barings, for example, was a classic chaser of glamorous but risky opportunities around the world. By 1890, its wanderlust had taken it to Argentina, where it was rescued from its blunders by the Bank of England; by 1905 to Singapore, where it has not been.

Whatever Barings' occasional woes, overall, the City has been a tremendous success over the centuries - but at a cost. It has sucked talent and capital out of the domestic economy, paying top people much more than the industry could afford, both in terms of money and social status. In particular, it has attracted the ambitious young by offering a fast track to power and money - by the age of 28, for instance. But it has promoted a short-term trading mentality, and a takeover culture unknown in continental Europe or Japan.

From the 1960s, another serious distortion of the British economy became evident: the excessive stimulation of home ownership. This probably can be dated from the abolition of the old Schedule "A" income

tax on implied rents in 1963. The tax advantages gained from buying houses financed by large mortgages then became overwhelming. The result, for 25 years, was a series of credit explosions, house price surges and economic booms and busts.

With the City pre-occupied overseas - especially after

**Links between the political and financial establishments have largely been broken**

exchange controls were abolished in 1979 - and the domestic economy destabilised, British industry wilted. Between 1978 and 1982, UK manufacturing output rose by just 3 per cent - against 30 per cent in Germany and 65 per cent in Japan. By the early 1990s, the economy as a whole was slumping as the Treasury attempted to get a grip on accelerating inflation and a fast-widening trade deficit.

Now the economy is recovering in a manner unknown for decades. Exports are booming, inflation is sluggish, credit growth is weak, the housing market remains depressed. The government has confirmed its

removal of support from home ownership, with Miras (mortgage interest relief at source) dipping to just 15 per cent next month, and social security protection for home owners being withdrawn.

What about the City? The idea of an inner ring of untouchable banks has faded with the declassification a few years ago of the old accepting houses. As recently as 1980, the Bank of England was ready to go out of its way to protect one of the undistinguished and minor accepting houses, Arbuthnot Latham, from the threatened depredations of a maverick financier, Graham Ferguson Lacey. But the controversial rescue in 1984 of Johnson Matthey Bankers - not an accepting house, but a member of the exclusive London gold bullion market - caused the Bank great embarrassment and effectively marked the end of an era of privileged treatment for the banking nobility.

Now, Barings has been dealt with as just another bank. We must not blame the Bank of England if the City suffers a loss of reputation. The odium is deserved by the management of Barings for its evident incompetence and gentlemanly amateurism.

Would the UK, in fact, be served by a principle that no significant bank should ever be let go? Some banking systems operate implicitly like

this - Japan's, for instance - but the long-run moral hazard is immense. Banks that can never fail are banks that are likely to assume excessive risk. The creditworthiness of most banks in Japan now depends upon the unwritten guarantee of the Japanese government. It is not an example to follow or envy.

The failure of Barings, however, together with the difficulties of other merchant banks - such as Warburg, which has just lost its chief executive - does raise the problem of the spread of foreign domination to the City. Already, the neglect of non-financial industry has led to the abandonment of many important manufacturing industries to overseas owners: motor cars, electronic components and domestic appliances, to name a few. The City of London has shown little concern; but now the City itself is becoming dominated by overseas institutions.

This century Barings did not, after all, survive the nervous 90s. The Bank of England does not play cricket any more. But we do not know how enthusiastically it will take up baseball. We can see, however, that the links between the political and financial establishments have largely been broken, and we can expect that the City's loss will be the broader economy's gain.

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